



**The Effects of Rupiah Depreciation on Motorcycle
Spare Part Retail Businesses**

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PANEL OF EXAMPINERS

APPROVAL SHEET

The Panel of Examiners declare that the skripsi entitled “**The Effect of Rupiah Depreciation on Motorcycle Spare Part Retail Businesses**” that was submitted by Kevin Wiguna majoring in Management from the Faculty of Business was assessed and approved to have passed the Oral Examination on February 12th, 2016.

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This skripsi entitled **“The Effect of Rupiah Depreciation on Motorcycle Spare Part Retail Businesses”** prepared and submitted by Kevin Wiguna in partial fulfillment of the requirement for the degree of Bachelor in the Faculty of Business has been reviewed and found to have satisfied the requirements for a skripsi fit to be examined. I therefore recommend this skripsi for Oral Defense.

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DECLARATION OF ORIGINALITY

I declare that this skripsi, entitled “The Effects of Rupiah Depreciation on the Prices of Motorcycle Spare Parts” is, to the best of my knowledge and belief, an original piece of work that has not been submitted, either in whole or in part, to another university to obtain a degree.

Cikarang, Indonesia, February 9th , 2016

Kevin Wiguna

ABSTRACT

This research aimed to analyze the effects of rupiah depreciation on the prices of motorcycle spare parts to find the way to encourage Indonesia's industrial sector development and to find out the way to encourage automotive spare parts retail businesses to create attractive strategies to deal with this condition. This research will be focused on the effect of rupiah depreciation on the prices of motorcycle spare parts as the most demanded mode of transportation. This research will limit on the prices of motorcycle spare parts in Harapan Indah, Bekasi area. The objectives of the study are to identify and analyze the effects of rupiah depreciation on spare parts prices, the effect of rupiah depreciation to motorcycle spare part retail businesses, and how Indonesian government and spare parts retailers face the current economic condition. Researcher used qualitative method to gain deeper understanding. As the result, rupiah depreciation does give effects to the spare parts prices in different way, although the production cost in spare parts industries increase, it does not affect directly to the retailer or the price in the market

Keywords: *Rupiah depreciation, economic condition, automotive spare parts, prices*

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CHAPTER I

INTRODUCTION

1.1 Background of the Study

Global economic crisis began in 2008 when the price of houses fell, few years before the banks encourage people to borrow more money than they could afford to attain the American dream of home ownership, so they started to buy a house. When the housing prices began to drop, then people realized that they owed more on their mortgages than their houses were worth, people could not keep up with their payments, so they stopped the payment. The decline in home values resulted in heavy losses for investors around the world due to mortgages backed securities.

Many investment banks in America and several European banks invested in mortgage backed securities and their losses put some of them out of business. Causing economic slowdown in the US and Europe, led to the purchasing power of American and European decline. Therefore the American and European people are looking for cheaper goods including the needs of motorcycles and spare parts. This condition become Asian motorcycle and motorcycle spare parts industries opportunities to take advantage of the economic slowdown in the US and Europe and targeting the American and European markets (Havemann, 2012).

Based on Motorcycle Industry Association (2015), in period of January to August 2015, from 4.34 million motorcycle production, there are about 123,790 units or 2.85 percent for export compare to total export in 2013 that recorded only 0.35 percent or 27,135 unit and in 2014 that recorded 0.53 percent or 41,746 unit from the total production. The significant increment comes from European demand that rise up to 440 percent in 2015 (Armenia, 2015).

Global economic condition has triggered currency depreciation in developing countries. (World Bank Group, 2015). Economic condition in developing countries caused by several global conditions, such as, the strengthening of US Dollar, the devaluation of Chinese Yuan and the drop in commodities prices that directly affected to volatility of currency (Jiang, 2014). Currency depreciation is a decrease in the value of a currency relative to another currency (Krugman & Obstfeld, 2009). Indonesia's currency, which is Rupiah, is one of currency that gets affected by global economic crisis. Currency depreciation greatly affect the production, lower currency value will increase the domestic price of imported intermediate inputs. This will increase the cost of production and result to the real output or aggregate supply (Lencho, 2013).

According to XE.com (2016), Indonesian Rupiah value in 2012 was about 9125 IDR per 1 US Dollar, the value decreased to 9730 IDR per 1 US Dollar in the beginning of 2013 due to increased payment for transportation of imported goods and triggered by holiday season. Indonesian Rupiah continue to fell to 12030 IDR per 1 US Dollar in 2014 and the lowest reached 14733 IDR per 1 USD Dollar in Oct 2015 when the Federal Reserve Chairman informed to lowering its quantitative easing program (Indonesian Investment, 2015).



Figure 1.1 Indonesian Rupiah per 1 USD

Source: XE.com (2016)

Currency depreciation could lowering people purchasing power both foreign goods and local goods because prices of foreign goods increases due to gap in currency value and the intermediate goods use to produce local goods (Adkin, 2012). Weaken buying power directly affected to the retailer which further will influence the continuity of industrial sector. Industrial sector depend on retailer sector because productive retail business activity significantly influence to the distribution process from producer to end user (Levy, 2007).

According to Oxford (2010), industry is the people and activities involved in producing a particular thing, or in providing particular service. In addition based on Ministry of Industry of Indonesia (2015), industrial sector contribute about 21.22 percent of total GDP of Indonesia. Demand and supply stability are needed to maintain the domestic growth of an industry. In order to maintain demand and supply, an industry need to concern about their supply chain, by that means all of industrial process from purchasing of raw material until deliver the product. *“Supply chain consist of all parties involved, directly or indirectly, in fulfilling a customer request. The supply chain includes not only the manufacturer and suppliers, but also transporters, warehouses, retailers and even customers themselves.”* (Chopra and Meindl, 2012). The main point of supply chain is fulfilling customer needs, to effectively deliver customer needs or satisfaction.

Retailers perform significant roles in providing the right products to the customers. The retailers providing the link to the manufacturers and suppliers products. (Babilonia, 2010). Accordance with the roles of retailer on supply chain from industry to end user, consumer buying power on retailer level will directly impact the growth of domestic industry. According to Anggoro (2012), retail has roles to provide the product produced by manufacturer to the end consumer, without good and active participation from retail businesses to encourage consumer buying

power. Product will not be delivered to the end consumer. So, the growth of industry determined by the buying power of consumer in retail business level.

Based on Indonesian Automotive Component Industry Cooperative (2014), approximately 1,400 automotive components industry in Indonesia, small or medium scale that supplies about 70 percent of the total of their products to meet the needs of a new motorcycle assembly in domestic market. By that means most of the contribution of motorcycle spare parts industries goes to domestic market resulting in domestic growth due to domestic consumption and labor absorption. For motorcycle spare parts manufacturer that produce Original Part and Replacement Part, retailer is the one to spread their replacement part to the market. The availability of replacement part become the determinant in motorcycle sales. According to Sengguruh (2011), retailing is the activity of selling goods or services directly to consumer for self-consumption. The role of retail is as the last line of production cycle that connect the producer with the consumer, retail also provides market for producer to sell their product.

Based on Ministry of Industry of Indonesia (2014), the sales of motorcycle spare parts could support the sales of motorcycle itself. When a replacement part of a brand of motorcycle can be easily obtained by the people, then the sales of motorcycle for that brand will also increase. The growth in motorcycle industry could become one of the triggers of economic growth, the growth of two wheels vehicles could increase regional revenue through taxes on vehicles. If the usage of motorcycle is decrease, then the regional revenue will also decrease. Based on Regional Revenues Services of West Java (2015), vehicle tax contribute around 63 percent from total target of regional revenue or around 15 trillion IDR from the target around 23.8 trillion IDR, around 9.7 trillion from

motorcycles and 5.3 trillion from cars. Furthermore, motorcycle spare part retailer is the manifestation of motorcycle and spare part condition.

The phenomena of effect of rupiah depreciation on the motorcycle spare part prices is not a simple case, because of rupiah depreciation, there are several parties benefited but other were harmed in motorcycle industries. Based on the condition above, researcher would like to research about this title to analyze the effect of Rupiah depreciation on the prices of motorcycle spare parts. To analyze the effect of Rupiah depreciation on the prices of motorcycle spare parts researcher will use qualitative research method and phenomenology approach.

1.2 Problem Identification

As being stated in the background of study, currency depreciation in developing countries such as Indonesia triggered by global economic slowdown. Currency depreciation decrease the value of Indonesian Rupiah compare to US Dollar. The circumstances of Rupiah value decreasing become major issue in Indonesia's current economic condition because it affected some economic problems. One of the economic problem is the prices of almost all goods are increased and automatically make the consumption of goods decrease. It can happen because the weakened of buying power of Indonesian citizen.

The consumption of primary needs, such as food, clothes and living place is automatically decreased. Moreover, the consumption of secondary needs such as motorcycle spare part. Most of motorcycle user think maintain their motorcycle is not basic needs and the replacement of the old parts could be wait until the value of rupiah is increase and the price of goods back to normal. Though the weakened of people buying power, motorcycle spare parts retailer face difficulty to sale the spare parts and resulting in decreasing of their revenue. This situation made the sales of motorcycle spare parts retailer decrease. The decreasing of motorcycle spare parts demand in retail business could affect to the continuity of

motorcycle and motorcycle spare parts industries. If motorcycle and motorcycle spare parts experience the business downturn, Indonesian economic condition might be influenced by the circumstances.

Based on the problem above, researcher would like to analyze the effect of rupiah depreciation on the prices of motorcycle spare part and its influence to retail business of motorcycle spare part. In addition, researcher would like to research the way of retail business minimize the effect of rupiah depreciation and the strategies of government to boost retail businesses in order to face economy slowdown.

1.3 Statement of Problem

1. How rupiah depreciation can affect the motorcycle spare part retail businesses?
2. What are strategies taken by motorcycle spare part retailer to survive from rupiah depreciation?

1.4 Research Objectives

- a. To identify how rupiah depreciation can affect the motorcycle spare part retail businesses.
- b. To identify what are strategies taken by motorcycle spare part retailer to survive from rupiah depreciation.

1.5 Definition of Terms

Business : The activity of making, buying, selling or supplying goods or services for money.

Currency : The system of money that a country uses.

Demand : A very firm request for something.

Depreciate	: To become less valuable over a period of time.
Economy	: The relationship between production, trade and the supply of money in a particular country or region.
Exchange rate	: The price of a nation's currency in terms of another currency.
Foreign Direct Investment	: An investment made by a company or entity based in one country, into a company or entity based in another country.
Growth	: An increase in economic activity.
Inflation	: A general rise in the prices of services and goods in a particular country, resulting in fall in the value of money.
Investment	: The act of investing money in something.
Liquidity	: The state of owning things of value that can easily be exchanged for cash.
Material	: Things that are needed in order to do a particular activity.
Motorcycle	: A road vehicle with two wheels, driven by an engine, with one seat for the driver and

often a seat for a passenger behind the driver.

- Policy : A plan of action agreed or chosen by a political party, a business, etc.
- Price : The amount of money that you have to pay for something.
- Production : The process of growing or making food, goods or materials, especially large quantities.
- Purchasing power : The amount that a unit of money can buy.
- Purchasing : The activity of buying things, especially for a company.
- Retail : The selling of goods to the public, usually through shops or store.
- Retailer : An individual or business that sells good to the public.
- Spare part : A new part that you buy to replace an old or broken part of a car, machine, etc.
- Spending : The amount of money that is spent by a government or an organization.
- Supply : An amount of something that is provided or available to be used.

1.6 Scope and Limitation

1.6.1 Scope

The research is conducted to “Effect of Rupiah Depreciation on the Prices of Motorcycle Spare Part” and will be conducted in area of Bekasi Harapan Indah.

1.6.2 Limitation

This research focused on motorcycle spare parts retailers in area of Bekasi Harapan Indah. The research will limit on motorcycle spare parts retail businesses and the research will only analyze the effect of rupiah depreciation on the prices of motorcycle spare parts.

1.7 Benefit of the Study

1.7.1 For Researcher

This research would be partial fulfillment of requirement for researcher to get a bachelor degree. This research also give a valuable experience for researcher especially in implementing international business theories about exchange rate, how important exchange rate to support economic condition. Researcher also gain knowledge about how to conduct good research from the beginning research problem, topic research, setting objective, reviewing literature, setting theoretical framework, collecting the data, analyze the input and making an output of the research.

1.7.2 For Motorcycle Spare Part Retailers

Current economic condition is not really good for spare part businesses because of the rupiah is being depreciated and buying power decrease. Researcher hope this research will help spare part retailers to understand better the condition and could find out the best way to face the condition and stabilize their sales.

1.7.3 For Government

Rupiah depreciation is a current problem in Indonesia it weakens the economic activity. Motorcycles are a hugely popular means of transportation, when motorcycle spare parts retailer is slowing down the motorcycle industry and the government also will feel the impact. This research will provide information about the effect of rupiah depreciation on the prices of motorcycle spare parts retailer.

1.7.4 For International Business Studies and Future Research

In past decades, international business research for bachelor degree still limited. Researcher hopes with the output of this research will help future researcher and be a good references to do research about effect of currency on industries.

1.7.5 For University

International Business concentration learned almost every subject/field of management study, many students of International Business done some research on another fields beside International Business course such as Marketing and Human Resource, this condition makes the literature and references for International Business studies limited. This research could become one of literature and studies in field for international business studies especially about effect of currency.

CHAPTER II

LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Currency Depreciation

Currency depreciation is when the value of a country's currency falls to the value of another currency (Gale, 2008). In the short run, currency depreciations is driven by changes in demand and supply for a currency in the foreign exchange market. The demand and supply of currency depend on a country's imports and exports, international financial transactions, speculations on the foreign exchange market, and, government interventions in the foreign exchange market. In the long run, currency depreciations is determined by the inflation rate and economic growth of the country (Engel and Kenneth, 2005). Currency depreciation causes a general rise of prices (Marxist, 1974). The currency depreciation affected several things such as prices in the local market, export and import prices and purchasing power.

Based on theory, growth of money determines the rate of inflation it means that currency depreciation is affected by the excessive level of inflation (Krugman & Obstfeld, 2009), after the inflation causes the currency depreciation, it will give impact to local market prices, export and import prices and purchasing power because the value of currency is weaken resulting in decreasing of people's welfare (Krugman, 1985). Depreciation will create the economic slowdown, households can no longer afford to buy local goods and services because the local goods prices will increase due to expensive imported raw material, and foreigners are not interested in investing money where goods and labors are overpriced (R.A., 2012).

Many companies went bankrupt and unemployment is everywhere. Not only for household, but local companies also suffer because they cannot afford to import goods from abroad, and it will affect the export and import. Firms will go bankrupt and unemployment rises, lots of unused industrial capacity and unemployment workers, so the prices and wages will slowly decline. The adjustment is likely to be slow, the unemployment will drag down wages, the slow pace of adjustment will hurt the economy but after the country can lift their exports it will make the economy back toward potential.

Currency depreciation's effect on exports and imports depends on the currency that we use to conduct transactions with foreign suppliers. If the foreign suppliers require payment with higher currency value, it will affect the cash outflow, the costs will increase because we have to pay more due to higher currency value (Bryan Keythman, 2015). According to Geoff Riley (2015), there are several factors that caused currency to depreciate.

a. Fall in the world prices of a country's major export commodity.

This condition will lead to a decline in export revenues because of country's major export commodities prices and it could cause a fall in overseas demand for the exporting nation's currency because other countries reducing the import from that country. For example, the fall in global oil prices give impact for oil importers and exporters. It gives benefit to several oil importer countries such as India and China but hurt exporter oil such as Saudi Arabia (Riley, 2015)

b. Massive increase in the volume and value of imported goods and services leading to trade deficit.

A deficit on the current account of balance of payments leads to a net outflow of currency and massive imported goods

usually requires the country to do the payment using other currencies that might be have higher value and causing exchange rate to weaken. The problem is not only when we need to pay more due to higher currency, but also for cheaper imported goods. When cheaper imported goods flooding the market it could affect the domestic business and affecting export market. Sooner or later the product origin from the country will be replaced with cheaper imported goods, and businesses will no longer interested in producing goods, but they prefer to import and sell in the domestic market (Kaur, 2014).

When a country is depreciated and still need imported raw material and intermediate goods, it will give bad impact to export and import. Export will be deficit because its import price of raw material is more than export price of finished goods. For example, Astra Otopart that buys almost 50% of its raw materials from abroad will suffer from weak rupiah because it means Astra has to pay more dollars to get the raw material. The higher cost of imports will increase the final price of the product (Hamdhani, 2015).

So, currency depreciation's effect on imports depends on the currency that we use to conduct transactions with foreign suppliers. If the foreign suppliers require payment with higher currency value, it will affect the cash outflow, the costs will increase because we have to pay more due to higher currency value (Keythman, 2015).

The exchange rates change by the second, will affects all of us when people are actively trading in foreign exchange market, go to shopping imported goods online or offline, or just buying imported food from abroad. Poor countries tend to have weak

currencies because nobody outside the country needs them for purpose of trade, there is no demand of the currencies outside the country. So the strength of the currency of this poor country is depend on strength of other currencies, because there is exist currencies which more important and have a huge demand for trade.

c. A country's central bank reduces their interest rates.

When a central bank reduce the interest rates, it will cause the investors to pull out their money from the country and move their money to another countries with higher interest rate and giving better return. So when a country's central banks reduce their interest rates, it could lead to a big outflow of money. Originally when a central bank reduces interest rates, its objectives is to encourage the people to buy or increase the spending and to encourage people to build their own business. However, if central bank cannot control the money supply, it could lead to higher inflation rate (Riley, 2015)

The high level of inflation in Indonesia become an obstacle for central bank to lowering its interest rate, while businesses want a low interest rate to help the economy growth. Central bank of Indonesia does not have space to cut the interest rate because the stability of the rupiah still becomes the primary concern (Jakarta Globe, 2015). Many Indonesian people still live in poverty, approximately 40 percent of total population lives with 330,776 rupiah or 22.6 USD per month. The fact is employment growth is slower than population growth in Indonesia (World Bank, 2015).

In currency investing the real interest rate is the most important factor in deciding which country we should invest. Higher real interest rates tend to lead to an appreciation in the currency.

High interest rates means saving in that country gives a better return. But investors often invest their money to countries with higher interest rates. However, when we look at the nominal interest rate, it is also important to look at the inflation rate.

According to Ambrose Evans (2015), US interest rate rise could trigger global debt crisis, as we know US imposed approximately 0 percent rates, but there is estimation from Peter Spence that the Fed will raise the rates. The Fed will raise the fed funds rate in December put aside about low inflation, US economy will likely to face problem next year caused by the impacts of the strong dollar on trade, US GDP growth forecasted to be 2.3 percent on 2016, according to forecasts USD will likely to be weakened after 2016 quarter 1 (Banque Nationale du Canada, 2015).

The interest rate of Indonesia remains at 7.5 percent on October 2015 (Central Bank of Indonesia, 2015). Domestic growth was expected to increase in the end of the year although economic activity slowed. Central Bank of Indonesia (2015) believes that the pressure of global economic stability has eased, making room to loosen its monetary policy. However, with the uncertainty in global market Bank Indonesia will keep to be alert and monitor the global risks although the condition has improved in the global financial markets.

Therefore, central bank of Indonesia will continue to focus on short-term period by maintain the stability of rupiah, strengthening rupiah and manage the supply and demand of foreign exchange. The rupiah strengthened by 9.3 percent at the beginning of October after a pressure dropped the value of rupiah on September after the government and the central bank

of Indonesia released stimulus package to support the investment and strengthened currency.

d. The speculators expect or speculate the exchange rate to depreciate so they sell the currency to the market.

When the speculators speculate that the exchange rate of a currency might be fall in the future, the speculators decide to sell that country's currency to avoid further loss. When the speculators sell the currency on the market, it means the supply of that currency will increase causing the value of that currency fall.

A depreciation of the domestic currency may stimulate economic activity through the increases in the price of foreign goods relative to local goods, price of local goods will be more attractive rather than imported goods and it will cause people to switch from imported products to local products. As a result the demand of local goods will increase and the output of domestic goods also will increase (Kandil, 2004).

However, if inputs or intermediate goods for manufacturing are largely imported and cannot be produced domestically, firms input or production cost will increase due to currency depreciation. So, as result of domestic currency depreciation, producers decrease imports of intermediate goods, decreasing of domestic output, and increasing the cost of production, resulting in increasing of final goods prices and it will increase the final price for domestic goods (Wijnbergen, 1989). So currency depreciation will increase the net exports because of local goods become more attractive due to lower currency value but it will increase the cost of production if materials for manufacturing dominated by imported.

When one country depreciated, its purchasing power will be decrease due to excessive inflation while increases in cost of living. When currency lost its purchasing power, it will affect whole economic activity, local people will reduce their purchases, so local business will lose their revenue (opposingviews, 2015). The depreciation in local currency will also affect how much investors are willing to borrow. With almost zero percent interest rate of U.S. government bonds, many investors want to borrow from U.S. and then they decide to move their money to another country because the interest rate of other countries will be higher than U.S. interest rate.

Investors would invest their money in other countries that pays a higher interest, the effect is price of U.S. bonds would fall. Stock market prices also affected by currency depreciation, the prices of stocks traded would fall following depreciation in the domestic currency. The reason is currency depreciation would make a lower value of dividend payments for investors (opposingviews, 2015). There are two main categories of economic policy that being done by government to improve economy condition that cause currency depreciation and minimalize its effect. There are monetary policy and fiscal policy (Woodford, 2003).

a. Expansionary Monetary policy

There are two types of expansionary monetary policies to stimulate the economic growth, quantitative easing and zero interest-rate policy. The effect is an increase in the money supply, lower interest rates and a rise in overall aggregate demand, usually expansionary monetary policies used after a recession to stimulate economic slowdown (Amadeo, 2015).

Quantitative easing is focuses on central banks increase the amount of credit to borrowers, so central bank issues new money, creating new money and uses the money to purchase

assets from other banks. Then the bank lends the money from selling the assets to borrowers. It makes people easier to obtain loans, interest rates will drop and many people will borrow and spend both consumers and businesses. Theoretically, it will increase consumption, which increases the demand for goods and services, creating jobs and in the end creates economic improvement (Smith, 2014). Quantitative easing increases the money supply by fulfill financial institutions with capital in effort to increase lending and liquidity. However, if money supply increases to quickly, it can lead to higher rates of inflation (Investopedia, 2014).

While Zero Interest-Rate Policy (ZIRP) is a method to stimulate growth while keeping interest rates close to zero. Over extending a zero interest rate policy can lead to negative interest rates. Zero Interest-Rate Policy can also lead to financial turmoil during periods of economic stability. When interest rates are low, investors will seek higher yield instruments that are generally riskier (Investopedia, 2013). Although Zero Interest-Rate Policy may cause harm to the economy, policymakers in developed countries continue to use ZIRP as a post-recession remedy.

The benefit of low interest rates is the ability to stimulate economic activity. Although the return is low, near zero interest rates lower cost of borrowing, which can help boost spending on business capital, investments and household expenditures. The number of people who open a new business and companies that inject more funds to the business will create job opportunities and it will lead to domestic expenditures (Nath, 2013). ZIRP has been implemented in several economic recessions, first used by Japan in the 1990s

but it seemed unsuccessful. However, the U.S., U.K. and EU nations have turned to ZIRP and quantitative easing to stimulate their economic activity (Nath, 2013).

b. Expansionary Fiscal Policy

Expansionary fiscal policy include measures such as reducing tax rates, increasing direct payment via tax refunds and increase government spending to grow the economy (Murthy, 2013). It can affect the exchange rate in three ways First is income changes, when the government lower your taxes through fiscal policy, it will left more income in your pocket, you can buy more than usual and resulting in increased demand for goods and services.

When people have more money, they spend more both on domestic goods and import goods. But when imports demand increase, it means high demand for foreign currencies and lower demand for home currencies, many people sell home currencies to buy foreign currencies to pay imported goods, this situation can decrease the home currencies exchange rate and leading to more expensive products in the future (Hill, 2014).

Second is price changes, when the government wants to grow the economy, the government can reduce taxes to stimulate the economy. When government cuts your tax bill, it will increase the demand, which will increase the price of goods and services. As the price of domestic goods increases, this also makes exports of our goods more expensive and imports become more attractive. This leads to higher demand for foreign currency to buy imported goods. This could lower the exchange rate. Third is interest rates. When the government decide to expand the money supply and wants to increase its

spending, government need money, so the government sells bonds, which raises the interest rates and attract investors to invest their money in home country to get a better return (Hill, 2014).

These policies are used to maintain or boost economic activity during the downturn, fiscal policies such as reducing tax rates, increasing direct payment via tax refunds and increase government spending used in order to increase economic activity when the economic activity slows down. Expansionary fiscal policies are usually accompanied by expansionary monetary policies such as reducing interest rates and increasing money supply making access to money easier (Murthy, 2013).

There are some differences between depreciation and devaluation. Devaluation is when a country makes a conscious decision to lower its exchange rate while depreciation is a fall in the value of a currency without intervention of government, global investment market and influence from the demand and supply of the currency, a devaluation is possible if a country has a fixed exchange rate policy (Pettinger, 2015).

According to Rajesh Goyal (2015), the basic different of depreciation and devaluation is in long-term impact. China is a country that devalue its currency. China's central bank has devalued the yuan by almost 2% against the US dollar in order to boost exports. After China devalued its currency, the industrial production, investment and retail sales for July were weaker than China expectation. The problem is how currency devaluation can help the Chinese economy, as we know Chinese has provide many things from raw material, intermediate goods and finished goods to

many countries, and a cheaper yuan will make Chinese exports less expensive and more interesting.

China expected the devaluation will help to boost China exports and finally it will boost China economy, by the time China decide to devalue its currency, China already prepared any consequences that already stated in short-term impact, China no longer able to import goods from other countries but the local companies will be more competitive as long as they use their abundant natural resources effectively and efficiently, it will decrease China imports and boost China exports. It is true that China experience a hard time with this devaluation decision, but they hope with this decision they will survive and become more powerful than before in economy.

With US dollar exchange rate and yuan devalued, other countries with floating exchange rate will be forced to depreciate such as Vietnam, Malaysia and Indonesia. Actually the decision to devalue yuan give major impact to global market where China is the biggest trade partner for most of countries in the world, when China can no longer afford to import, other countries who usually exports their product (raw material, intermediate goods and finished goods) will suffer because they lost their main buyer (Inman, 2015).

According to Reuters (2015), Vietnam devalued the dong on August 19 in order to fight against the impact on its exports of devaluation of the Chinese yuan, not only the exports, Vietnam also unable to sell products to domestic consumer due to cheaper Chinese imports, it makes Vietnam keeps importing goods from China and face the deficit in trade with China around \$19.33 billion in the first seven month of 2015. Not only Vietnam, global

markets were alarmed when China devalued the yuan by almost 2 percent on August.

Other impact of yuan devaluation we could see in Malaysia, according to international brokerage Credit Suisse, Malaysia's exports do not compete directly with China's exports but Malaysia still be affected by yuan devaluation because weakened yuan could lower China's spending on imported goods, it will affected Malaysia's exports because a large portion of Malaysia's exports end up in China. Based on thestar China is Malaysia's second largest export market, total of 12.6% of its total shipments of exports in six month of June 2015 went to China. In line with other countries, devaluation of Chinese yuan hurt Thai exporters, based on Kobsidthi Silpachai (2015), head of Market and Economic Research at Kasikornbank, China devaluation is a policy tool to help China economy after Beijing implemented drastic measures to deal with bubbles in stock markets.

Based on vice chairman of Thai Chamber of Commerce Vichai Assarasakorn (2015), Thai traders especially those who do business with China need to monitor the movement of the currency because it could affect Thai exports to China. Vichai said Thai government should focus on investment stimulation in order to survive from exports decline. The economist state that the baht had depreciated due to US Fed rate and stronger US dollar, the yuan devaluation give impact to Thai exports, but the one that give impact to baht depreciation is US dollar and US Fed interest rate.

While yuan devaluation does not have major impact in baht depreciation (Meyer, 2015), Indonesia got a significant effect on the weakening rupiah, based on the coordinating minister of economy Darmin Nasution, yuan devaluation does not have much effect on Indonesia's trade with China, there is an effect, but not

significant effect on trade with China. According to Darmin Nasution, Indonesia can do import or export not only from China, Indonesia can choose other countries as business partner, if China can afford cheaper price, Indonesia will do import with China. For rupiah movements, Darmin stated that the condition should be observed from the situation and condition of global market.

However cheaper Chinese currencies give impact to global market, China decision to devalue its currency not only affected to domestic economic slowdown, but also global economic slowdown. Not only in Asian countries, but also Latin American currencies affected by yuan devaluation, the slowdown of China economy give burden to Latin America since Latin America has a close relationship with China. Latin American countries provide raw materials to China. China will process the raw materials and exports them back to Latin America. However, China is going to cut their imports, China's objective is to boost their economy through domestic businesses.

China will focus on domestic consumption to increase growth rather than exporting products. This strategy could hurt China's direct trade partners such as Latin America, Korea and Japan. Zhang Junsai (2015), China's ambassador to Canada stated that China need to readjust and restructure the economy. China can't just depend on exports and investment on infrastructure, but also have to increase domestic consumption. China realized that they cannot depend only on exporting manufactured goods, the country have to boost domestic demand to sustain future growth to overcome the decline in demand from foreign trading partners.

2.1.2 Price

Price is the quantity of payment or compensation given by one party to another in return for goods or services (Friedman, 2011). Price

generally expressed as currency per unit weight of the goods for example dollars per kilogram (Paul et al, 2014). There are some basic terms of price in economy. First, price refers to the quantity of payment requested by a seller of goods or services rather than the eventual payment amount called as selling price. Second, price called as transaction price or traded price that refers to actual payment. Third, the quantity of payment offered by a buyer of goods or services called as bid price or buying price (Robert, 2012).

Another term of price are basic price and producer price. Basic price is the price a seller gets after removing any taxes paid by a buyer and adding any subsidy the seller gets for selling. Producer price is the amount that producer gets from a buyer for a unit of a good or service produced as output minus any taxes, excludes any transport charges (Stigler, 1987). Price is commonly confused with cost of production. Price is what a buyer pays to acquire products from a seller. Cost of production is the producer's investment to produce the product. Price is intended to exceed the cost of production in order the producer to gain profits (Friedman, 2011).

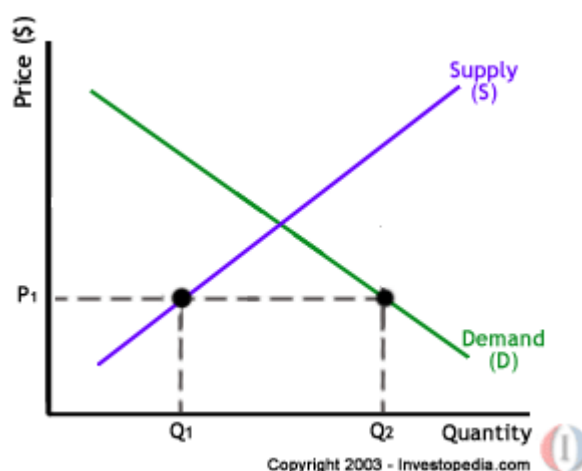


Figure 2.1 Supply and Demand

Source: Investopedia.com

In economic theory, market price reflects the interaction between demand and supply, the price is set to equate the quantity that being supplied and demanded. (Stigler, 1987). The price of a product is set up because of the demand for the product, when the demand for the product is high, usually the seller will set the price higher than normal price but when the price is too high the demand will decrease and when the demand is low usually the seller will set the price in normal price or high price but when the price is low the demand will increase (Roberts, 2007).

2.1.3 Motorcycle Spare Parts

Spare part is a duplicate or replacement component for a machine or other equipment (Collins English Dictionary, 2014). As we know motorcycle is the most popular means of transportation, many companies are doing business in motorcycle manufacturing and sales. But manufacturing industry is still suffering from the effect of global economic crisis, the decline in consumer demand cause companies to look for ways to increase efficiency, lowering operational costs and search for growth opportunity.

Aftermarket sales and services are estimated to be 75% more profitable than core business (sales), but most of the companies are growing their services business slower than their main business, then companies started to realize the potential of aftermarket sales and services business (Cognizant, 2012). Based on the market, automotive component industry are grouped into two categories, first is industry that supplies Original equipment Market (OEM) and second industry that supplies Replacement Market (REM).

According to Investopedia (2014), Original Equipment Manufacturer (OEM) is a company whose products are used as components in another company's product, while Replacement Equipment Manufacturing (REM), is a company who produce spare

part to replace the broken part of the original part. Replacement Market industry grouped into two categories first is genuine parts and second non-genuine parts. Sales of component can be done to meet the needs of domestic and overseas demand (Dedy Sugiarto, 2011). Motorcycle spare parts intended to replace the original parts that already broken or worn out, there are two types of motorcycle spare parts in the market, which are imported motorcycle spare part and domestic motorcycle spare part. (Sugiarto, 2012)

The first types is the imported motorcycle spare parts that usually come from China, Thailand, Vietnam and Taiwan. According to Wiangga (2015), Indonesia is the fourth biggest importer for automotive spare parts. Besides standard parts, imported products that came from Thailand, Vietnam and others usually in form of racing parts and modified parts which aims to modified the appearance of the motorcycle and to increase the speed of the motorcycle.

Second is domestic motorcycle spare parts, domestic motorcycle spare parts include original motorcycle spare parts manufacturer and non-original motorcycle spare parts, but usually both of original and non-original only produce standard motorcycle replacement parts. However, domestic motorcycle spare parts manufacturer nowadays affected by rupiah depreciation due to higher imported materials and intermediate goods to be produced in Indonesia (Kumala, 2015).

2.1.4 Retailer

Retailing is the activity of selling goods or services directly to consumer for self-consumption (Sengguruh, 2011). Retailer seeks to satisfy the needs of consumer through providing the goods or services with an affordable place and affordable price. Retail also provides market for producer to sell their product. The channel of

distribution is from producer or manufacturer to wholesale or supplier to retailer and the last to consumer.

Retail is the last line of production cycle that connect the producer with the consumer begin with production until distribution to the consumer. Without good retail system, producer cannot distribute their product to consumer, massive production for domestic will be useless. Consumer will be in trouble when they want to buy something in small quantity but they have to buy directly through the producer, because usually producer do not sell product in small quantity (Sengguruh, 2011)

So, the retail function is first as a connector between manufacturer with consumers, it means that retail will sell manufactured goods in small quantities to meet the consumer needs. Second as a provider of several products at once, the retailers will provide several brands of goods of the same type or different depend on the retailer itself. Third is retail as a service providers, goods produced by the producer/manufacturer will be marketed and delivered to the consumer by the retailer, if the producer/manufacturer does not use the retail services as tool to distribute the product then the product would not sold effectively (Sengguruh, 2011).

2.1.5 Motorcycle Spare Part Retail

Motorcycle Spare Part Retail is the retail businesses specialized in motorcycle spare part. Motorcycle spare part retail usually provide parts for almost all type of motorcycle as long as the parts already been produced. As the role of retail as a link between manufacturer and customer (Sengguruh, 2011), motorcycle spare part retail provide the needs of customer in terms of motorcycle parts. Without motorcycle spare part retail business, motorcycle spare part manufacturer would face difficulty to sell the product because manufacturer usually just provide purchasing in bulk not in retail or

single piece item and it could give inconvenience for the customer too.

The existence of motorcycle spare part retailer determines the success of a motorcycle spare parts industry and also motorcycle industry. Motorcycle industry of Indonesia has big opportunities nowadays. As an effect of global crisis, European people no longer buy motorcycle above 250cc. They prefer to buy smaller motorcycles that are typically produced in Indonesia. AISI (Indonesian Motorcycle Association) note that motorcycle exports to Europe increase 440 percent this year compare to last year export. Chairman of AISI Gunaidi Sindhuwinata (2015) stated to all of domestic motorcycle producer to aim Europe as main market.

This condition show us the condition of Europe nowadays, they no longer able to buy motorcycle above 250 cc so they change to common motorcycle with 125-150cc which is less expensive than 250 cc. Even Indonesia motorcycle sales increase 440 percent, the total sales from January to August 2015 still minus 26.7 percent with sales of the same period last year. If all of European countries choose to move from 250cc motorcycle to standard motorcycle, it will give huge advantages to Indonesian motorcycle sales, however according to Agust Spriadi (2015), domestic sales increase 47.4 percent on August or 622,089 units, 430,953 units for Honda motorcycle and the rest is combination from the other brands such as Yamaha, Kawasaki, Suzuki and TVS.

Domestic motorcycle sales got the highest sales on August and it reach 4.21 million units from January to August while from January to July the total sales still on 3.59 million units, so it was increased more than 620,000 units just in one month. It is a good sign for domestic motorcycle industry, but it means people prefer to convert their money into goods because they think their money is no longer

worth to be keep. Based on Reuters (2015), the sale of Indonesia motorcycle on July was 421,838 units and 622,089 units on August and went down again on September to 603,102. After the massive sales of motorcycle, the number decreased again, it means people focusing on primary needs rather than luxury goods like motorcycle.

2.2 Previous Research

After searching and reviewing some research, researcher only found related studies in the same topic of the effect of currency depreciation on financial performance. Those related previous researches are:

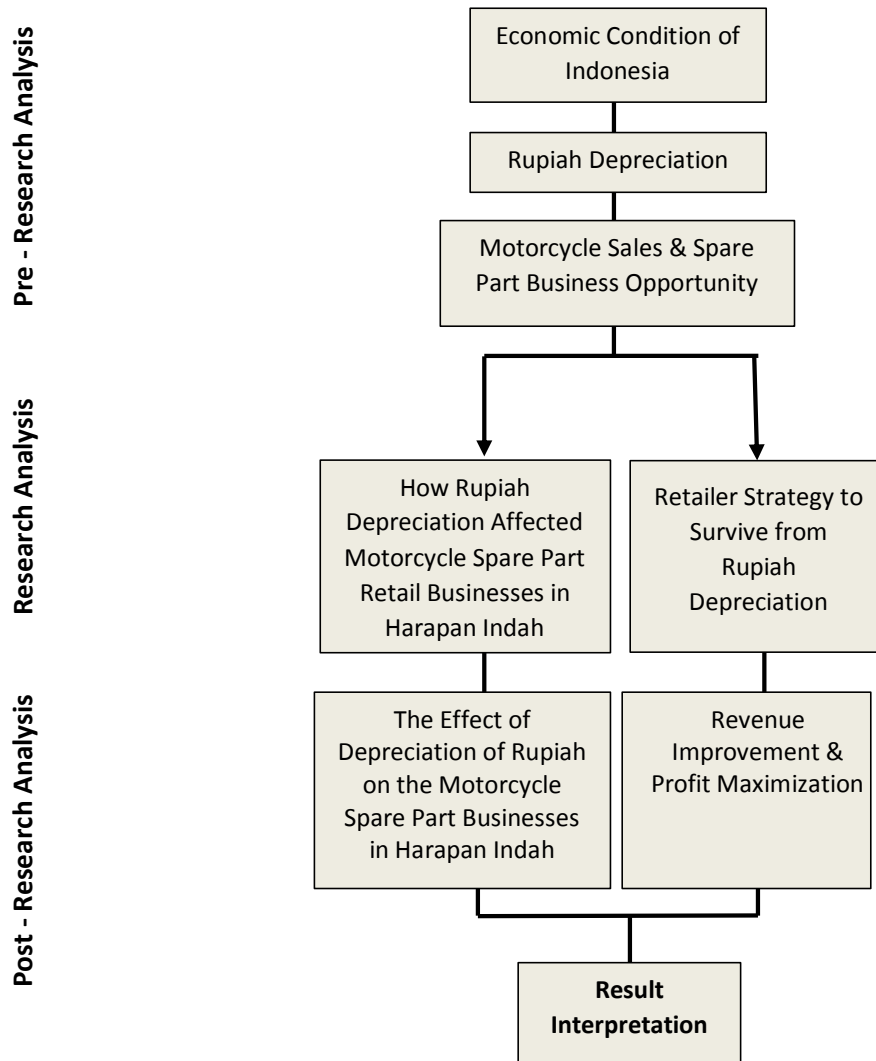
1. Currency Depreciation – Causes and its Impact on Indian Economy by Deepa Divakaran.N (2014). In this paper, Mr. Deepa tried to explore the causes and impact of rupee depreciation on the Indian economy and he also tried to review various measures taken by government to get over the present crisis. Author analyzed the causes of rupee depreciation are improving the strength of US economy, demand and supply rule, interest rate difference and withdrawal by investors and to face the problem, the government of India tried to encourage the investment to attract Foreign Direct Investment.
2. The Effect of RMB Exchange Rate Volatility on Import and Export Trade in China by Wanhui Jiang (2014). In this paper, author realize the exchange rate volatility always plays a key role in import and export trade. Author want to investigate the effect of nominal RMB exchange rate volatility on economic growth in China 1981 to 2012. This paper also concludes that in the long run, exchange rate change has a positive impact on import and export trade. In this paper, author stated that government reduce the proportion of US Dollar in China or limiting the use of US Dollar in China.
3. Impact of Currency Devaluation on the Exports by Imran Shahzad and Muhammad Yaseen Afzal (2013). In this research the author

analyzed the impact of currency devaluation, there are differences between currency devaluation and depreciation, but the short-term impact on economic condition will be the same. The author analyzed the effect of currency devaluation on exports of three major economies country in South Asia (Pakistan, Bangladesh and India) over the period 1980 to 2012, the result revealed that currency devaluation encourages exports of Pakistan and Bangladesh. Money supply also improves the export of Pakistan, Bangladesh and India. The result is if the country can manage and use the resource properly it may help the economy to develop. What researcher learn from this research is both of devaluation and depreciation have the same short-term impact and if devaluated country can improve their economy so does depreciated country. It depends on how the government and the businesses use that momentum and manage how to use the domestic resources.

4. Fighting Currency Depreciation: Intervention or Higher Interest Rates? by Amartya Lahiri and Carlos A. Vegh (2000). Central bank usually responds to weakening values by using combination of higher domestic interest rates and foreign exchange market. The author stated from recent evidence most developing countries are hate to let their currency float. In response to a depreciating currency, central bank tend to raise short-term interest rate, the purpose is to make domestic assets more attractive, so higher interest rate should strengthen the currency.
5. Fighting Against Currency Depreciation, Macroeconomic Instability and Sudden Stops by Luis-Felipe Zanna (2005). In this paper, author stated there was a debate between two opposite views, the IMF recommend for higher interest rates to prevent excessive currency depreciation.

6. The Effects of Exchange Rate Fluctuations on Output and Prices: Evidence from Developing Countries by Magda Kandil and Ida Aghdas Mirzae (2003). This paper discuss the effects of exchange rate fluctuations on real output and the price in a sample of 33 developing countries. Unexpected currency fluctuations help to determine aggregate demand through exports, imports, and the demand for domestic currency. Unexpected currency fluctuations give various effects on output growth and inflation across developing countries. Author stated a depreciation of the domestic currency may stimulate economic activity through the initial increase in the price of imported goods relative to domestic goods. Currency depreciation increases net exports and increases the cost of production, while currency appreciation decreases net exports and the cost of production. The main discussion of this paper is to reviewing the relationship between exchange rate fluctuations and economic activity in developing countries.

2.3 Research Framework



Based on literature review, above is the summarized of research framework that will be used to answer the research problem. There are two main questions that are going to be answered in this research, First is about how rupiah depreciation can affect motorcycle spare parts retail businesses in Harapan Indah, second is about motorcycle spare part retail business strategies to survive from current condition and to maintain the stability of sales.

The literature review will be used as the basis for pre-research analysis, research analysis and post-research analysis. In the pre-research analysis,

the description of current economic condition, currency depreciation and the description of retail business would be the basis of this research. From those description, researcher would like to find out what is the effect of rupiah depreciation on motorcycle spare part retail businesses, after the researcher find its effect to motorcycle spare part retail businesses, researcher would like to find out the strategies implement by motorcycle spare parts retailer to face and survive from current condition and to maintain the stability of their sales.

In research analysis there are two analyses that related one to another, the first analysis of this research is the effect of rupiah depreciation on the motorcycle spare part retail businesses. To analyze the effects of rupiah depreciation on the motorcycle spare parts retail business, first researcher would like to find out the current economic condition, after that researcher would like to find out the description of currency depreciation and the relation between currency depreciation to the buying power. Second analysis is what is motorcycle spare part retailer strategies to survive from rupiah depreciation, researcher only focused on the area of Harapan Indah, Bekasi. How rupiah depreciation affected the buying power and finally to the stability of the sales.

CHAPTER III

RESEARCH METHODOLOGY

3.1 Research Design

There are two methods in doing scientific research those are qualitative and quantitative research. The differences between qualitative and quantitative research are the type of data, research process, instrument in collecting data and the purpose of research.

1. Qualitative Research is primarily exploratory research. It is used to gain an understanding of main reason, opinions and motivations. Qualitative research is also used to uncover trends in thought and opinions, and dive deeper into the problem. Qualitative Research gathered by observations, individual interviews or focus groups and the data also is gathered from written documents and through case studies, it less emphasis on counting numbers of people who think or behave in certain ways and more emphasis on explaining why people think and behave in certain ways. Qualitative research including grounded theory, phenomenology, ethnomethodology, ethnography, hermeneutics, socio-linguistics, narratives and feminist research and any other qualitative approach which has taken a critical stance. Interviewing, field notes, observation, thick contextualized description and textual perusal using discourse analysis or deconstruction are the most commonly used in qualitative research. Qualitative data collection methods include various forms of surveys such as face to face interviews, telephone interviews, longitudinal studies, website interceptors, online polls and systematic observations (Grbich, 2007).
2. Quantitative research methods attempt to maximize objectivity, replicability and generalizability of finding and are typically

interested in prediction. Key features of many quantitative studies are the use of instruments such as test or surveys to collect data and reliance on probability theory to test statistical hypotheses that correspond to research questions of interest (Harwell, 2012).

After doing some identification on qualitative and quantitative method, researcher chose qualitative method as the method to do this research. According to Clissett (2008) qualitative research covers a wide range of approaches for the exploration of “human experience, perceptions, motivations and behaviors” and is concerned with the collection and analysis of words whether in the form of speech or writing. In this aspect, qualitative inquiry means to understand what others do and say or to “get grasp, hear, catch and comprehend” what something means. In addition, Schwandt (2007) believes that understanding is itself a phenomenon which lies at the core of the qualitative research because “qualitative methodology and underlying philosophy are highly appropriate for understanding complex personal and social issues” (Creswell & Clark, 2007). On the other hand, Thomson (2008) believes that a subtle difference exists between the quantitative and qualitative research methods; whereas quantitative researches often focus on measuring the parts in an issue, qualitative studies prefer to create a picture that covers the whole image in it.

For the process in qualitative research method, the researcher inevitably dives deep into the subject or phenomenon under study. According to Leedy & Omrod (2005), the qualitative research method is used in the following conditions; (a) when there is rarely any information available about the topic (b) when the researcher’s variables are unclear and unknown, and (c) when a relevant theory base is missing in any sense. As such, qualitative research does not intend to “test” a hypothesis but this method has a deep tendency to “describe, analyze, and interpret the constructive aspects of the social world” (Mcleod, 2001).

Researchers then decide to use phenomenology approach for this research. Phenomenology approach will focused on what people experience in regard to some phenomenon to develop deeper understanding about the phenomenon (Creswell, 2007).

3.2 Sampling Design

3.2.1 Sampling Method

Qualitative interviews differ from other interviews in that they aim to be more flexible in a lack of prior assumptions. The interview is one of the most used methods in social research, with a history of extensive application in selection, counseling and therapy (Berg, 2001). The systematic application of qualitative principles to research methodology is a more recent development in social research (Elliot, et al., 1999).

To reach the aim of the research, researcher chose to use non-probability sampling. Non probability sampling is non-random sampling that does not attempt to select a random sample from the population of interest (Battaglia, 2011). Non-probability refers to sampling technique for which a person's (or event's or researcher's focus's) likelihood of being selected for membership in the sample is unknown. So non-probability samples ideal is when we conduct a survey research to a few people who seem to resemble the folks we're interested in studying in order to help work out in the survey. So there are no specific rules for the determination of sample sizes in qualitative research. Sample size rather depends on considerations of the researcher related to the purpose of the study, the usefulness and the credibility of the selected cases and, on the available time and resources (Patton, 2002).

Researcher found the most suitable sampling technique that could support the process of the data, which is judgment sampling.

Judgment sampling is selecting a sample on the basis of your own knowledge, judgment sampling technique is primarily used in qualitative studies and may be defined as selecting units (individuals, group of individuals or institutions) based on specific purposes associated with answering a research study's questions (Maxwell, 1997).

3.2.2 Sampling Size

Qualitative method for research is one that adequately answers the research question with small sample size (Marshall, 1996). Qualitative research needs a flexible and interactive research design especially regarding to the sample size. According to Creswell (2007), recommended sample size for phenomenology approach of qualitative research are 5 to 25 individuals who have all experienced the phenomenon. Considering of that theory, researcher decide that 5 samples is the minimum number while the maximum number is not more than 10 since the volume of data will be hard to manage.

3.3 Research Instrument

Instrument is the generic term or tool that researchers use for a measurement device (survey, test, questionnaire, interview, etc.) to answer researcher questions. The research instruments that being use in this research are human instrument, primary data and secondary data. The researcher act as the administrator of the research. In the other term, it means that the instrument of the research is researcher himself (human instrument). The primary data was collected from the interviews with several interviewees and the secondary data collected using documentation method. Lincoln and Guba (1985) who are the first to introduce the concept of the human being as research instrument stated that, human stress the uniqueness of the researchers' role in the process of scientific inquiry. Human instrument has the unique capability of summarizing data on the spot and feeding it back to an informant for clarification and correction.

In this research, researcher decided to use interview as the instrumentation of data collection because comparing to other research qualitative instrumentations, interview is the most efficient and effective way to gather the information as deep as possible to answer the research questions. Creswell (2007) also suggested using interview as the instrument of data collection for phenomenology research.

Types of interview that being use in this research is semi-structure interviews which involve a series of open ended questions based on the topic areas the researcher wants to cover (Flick, 1998). According to Flick (1998), semi-structured interviews is best used when you won't get more than one chance to interview someone and when you will be sending several interviewers out into the field to collect data. The open-ended nature of the question defines the topic under investigation but provides opportunities for both interviewer and interviewee to discuss some topics in more detail. Researcher decided to use this type of interview because it is the most suitable technique there researcher could dig detail information to answer the research question.

3.4 Data Collection Procedure

3.4.1 Location of Research

As being stated before by researcher in the scope and limitation. This research will be focusing on the effects of rupiah depreciation on the prices on motorcycle spare part retailer in Harapan Indah, Bekasi.

3.4.2 Types and Source of Data

Data that are going to be collected in this research could be divided into two, which are primary data and secondary data. Primary data is the data that researcher got directly from the sample while secondary data is the data that researcher got from documentation. The main data that are going to be analyzed is the primary data. The

primary data will be collected from interview. The source of the data is the interviewees, which are the owner of motorcycle spare parts businesses. Secondary data only act as supporting data and will be used as the comparison to the findings of the research.

3.4.3 Data Collection

Data collection process plays an important role in qualitative research by providing information useful to understand the phenomena. In data collection process, researcher gathers the primary and secondary data to be analyzed. Before doing the data collection, focus of the research and list of topic for interview will be prepared. It is important to do since the interview method is semi-structured where the flow of interview should be in track to answer the research question (not out of topic), thus the objective of the interview could be achieved.

After preparing the research topics, look for interviewee that fulfills all of the criteria of this research. Researcher do interview process and getting the data from related business player in automotive spare parts and documentation method to gather secondary data. In this research, researcher use judgmental sampling to get more accurate results by interviewing the business player in automotive spare parts field. Thus, researcher interviewees are:

1. Name : Robby
Company Name : New Gaya Motor
Date of Interview : November 5, 2015
Position : Owner

2. Name : Yeshinta
Company Name : Pejuang Jaya Motor
Date of Interview : November 6, 2015
Position : Owner

3. Name : Winata
 Company Name : Citra Mitra Lestari
 Date of Interview : November 12, 2015
 Position : Owner

4. Name : Budi
 Company Name : Priok Jaya Motor
 Date of Interview : November 19, 2015
 Position : Owner

5. Name : Genoveva
 Company Name : Iwata Motor
 Date of Interview : November 26, 2015
 Position : Owner

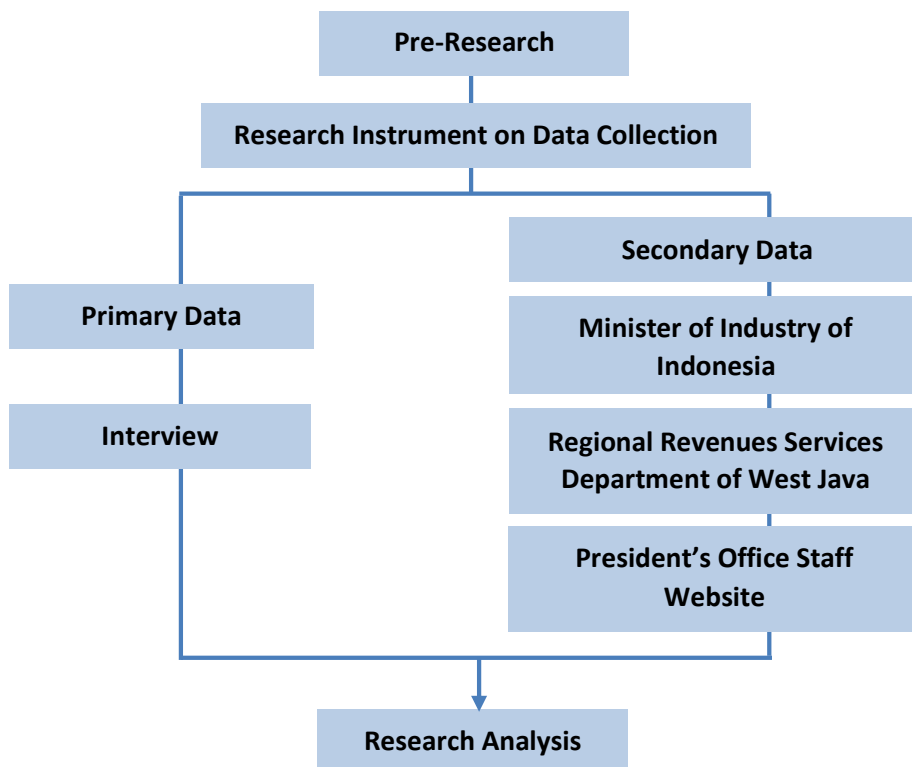


Figure 3.1 Data Collection Method

Source: Construct by Researcher

3.5 Research Analysis

Analysis for qualitative research already began before entering to research field, during research in the research field and also after entering the research field (Sugiyono, 2010). It begins since the first time when the researcher conducts the problem identification. However the process of qualitative research will focus during the research in the field and focus to the data from the field. Researcher defines the analysis into three steps, which are pre-research analysis, research analysis and post research analysis.

3.5.1 Pre – Research Analysis

Pre-research analysis is being done by the researcher before the researcher entering the research field. In this step, analysis is focused on studying the literature for theoretical review and previous research. The analysis will decide the research focus and help to analyze the data structurally, effectively and efficiently. This research focus is still temporary and could be developed during the next process of the research.

3.5.2 Research Analysis

Research analysis is being done with the data from the field through gathering data from interviews and data from previous research. The research analysis would be followed the structure of theoretical framework. To do the research analysis researcher will adopt interactive model from Miles and Huberman (1994). Based on this model, analyzing data would be divided into three steps which are data reduction, data display and data conclusion drawing/verification.

1. Data Reduction

Data Reduction refers to the process where the qualitative data obtained such as interview, transcript, observation, etc. is reduced and organized. Miles and Huberman (1994) describe,

“Data reduction refers to the process of selecting, focusing, simplifying, abstracting, and transforming the data that appear in written up field notes or transcriptions.” The purpose of data reduction is that the data collected can be process in a concise and manageable. In qualitative research, the researcher decides which data to be selected and to be analyzed. In data reduction, researcher should try to discard all irrelevant information without deleting the information to be re-examined.

2. Data Display

Data display is the second level of Miles and Huberman’s (1994) qualitative analysis model. It can be narrative or diagrammatic, the goals of data display are to provide new ways of arranging and thinking the data and to predict the possibility from the data to understand the patterns of the phenomena and the data display can be really helpful in identifying the phenomena.

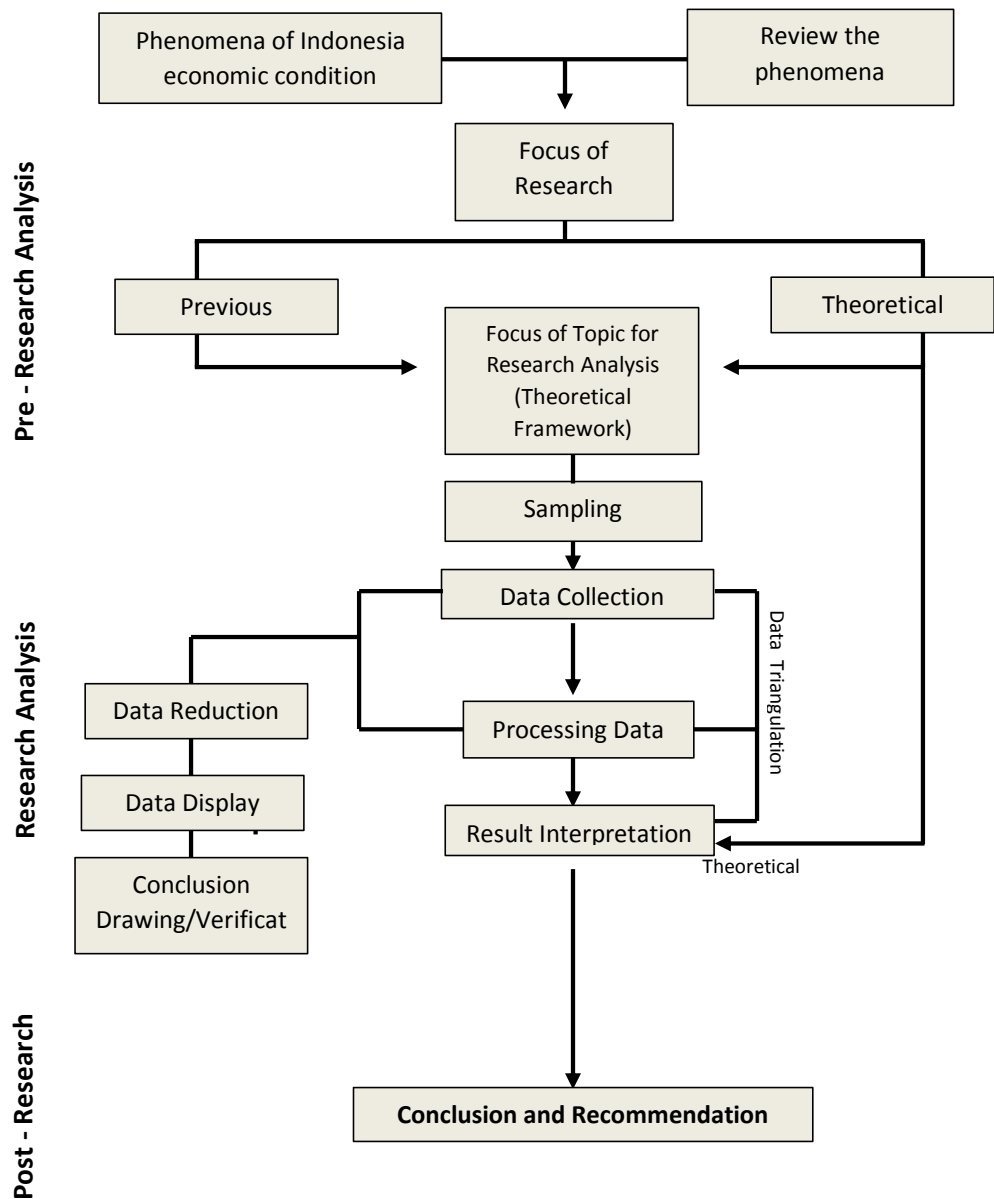
3. Data Conclusion Drawing and Verification

In doing conclusion drawing, we need to step back to look and consider what is the meaning of the analyzed data. The verification means the researcher needs to crosscheck the conclusion and the data need to be confirmed for the validity (Miles and Huberman, 1994).

3.5.3 Post Research Analysis

This step is conducted after the main analysis in research analysis. The purpose of post analysis is to find out the main point or main result of the research, and summarizing it.

3.6 Analysis Framework



3.7 Quality of the Research

1. Validity

According to Winter (2000), the concept of validity is described by a wide range of terms in qualitative studies. This concept is not a single, fixed or universal concept, but a contingent construct and inevitable grounded in the processes and intentions of research methodologies and projects. Creswell and Miller (2000) suggest that the validity is affected by the researcher's perception of validity in the study and

his/her choice of paradigm assumption. As a result, many researchers have developed their own validity concepts and generated another validity what they consider to be more appropriate terms such as quality, rigor and trustworthiness (Davies & Dodd, 2002). Guba and Lincoln (1985) stated there are some criteria for judging the soundness of qualitative research as an alternative of traditional quantitative criteria. Guba and Lincoln felt that their criteria reflected better for qualitative research, they are credibility and transferability

a. Internal Validity (credibility)

The credibility criteria involves establishing that the results are credible or believable from the perspective of the participants that is to describe or to understand the phenomena of interest from the research participants view. The participants are the only ones who can judge the credibility of the results and it depends more on the richness of the information gathered rather than the amount of data gathered, it can be said that “quality not quantity”.

b. External Validity (transferability)

Transferability refers to the degree in which the research can be transferred to other contexts, this section is defined by readers of the research. The reader notes the specific details of the research situation and methods and compares them to a similar situation. If the specifics are comparable, the original research would be considered more credible (Tom Farley, 2011).

c. Triangulation

Triangulation is a process of verification that increases validity by incorporating several viewpoints and methods (Yeasmin, 2012). According to Patton (2002), it is a common misconception that the goal of triangulation is to arrive at consistency across data sources or approach, however in fact the inconsistencies

should not be seen as weakening the evidence, but it should be viewed as an opportunity to know deeper meaning of the data. In this research, researcher use data triangulation that is using different sources of information in order to increase the validity of a study. Judging validity and reliability relies on multiple perceptions about a single reality (Healy and Perry, 2000).

d. Negative Case Analysis

Negative analysis is being done to samples that appear to have different cases but still in the field of motorcycle spare parts businesses. Negative case in this research derived from result of interview with the owner of Iwata Motor where in this case Iwata Motor businesses did not affected by the rupiah depreciation.

2. Reliability

According to Joppe (2000), reliability is the extent to which results are consistent over time and an accurate representation of the total population under study and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable. Patton (2002) states that validity and reliability are two factors which should be concerned by any qualitative researcher while designing a study, analyzing results and judging the quality of the study.

Healy and Perry (2000) assert that the quality of a study in each paradigm should be judged by its own paradigm's terms. In qualitative paradigms, the terms credibility, neutrality or confirmability, consistency or dependability and transferability are to be the essential criteria for quality (Lincoln and Guba, 1985), to be more specific, the qualitative research use "dependability" instead of "reliability" in quantitative research.

CHAPTER IV

ANALYSIS AND INTERPRETATION

4.1. Motorcycle Spare Part Retailer Profile

a. New Gaya Motor

New Gaya Motor was founded by Robby which specialize in providing motorcycle spare parts for motorcycle racing and motorcycle contest. Most of the goods sold by Robby are imported from Thailand, Taiwan and other countries.

b. Pejuang Jaya Motor

Pejuang Jaya Motor was founded by Hendri and Yeshinta in August 2003. Pejuang Jaya Motor is motorcycle spare part retail businesses at Pejuang Harapan Indah providing original and variation motorcycle spare parts almost for all types of motorcycle.

c. Priok Jaya Motor

Priok Jaya Motor was founded by Budi in July 2007. Priok Jaya Motor is motorcycle spare part retail businesses providing original and variation motorcycle spare parts almost for all types of motorcycle. Priok Jaya Motor originally located at Priok but move to Harapan Indah.

d. Iwata Motor

Iwata Motor is one of Yamaha authorized motorcycle services, specializing in motorcycle maintenance and services, Iwata Motor also provide original spare parts only for Yamaha Motorcycle.

e. Citra Mitra Lestari

Citra Mitra Lestari was founded by Ishak as supplier for several motorcycle spare parts retailer. Citra Mitra Lestari is a supplier for standard motorcycle spare part.

4.2. Rupiah Depreciation Effect on Motorcycle Spare Part Retail Businesses

Name : Robby Position : Owner of New Gaya Motor
Q : Is there any changes in the price of motorcycle spare part?
A : There is a significant increasing for products from Thailand and Japan, but products from China is cheaper than other imported goods.
Q : What is the impact of this situation to your business?
A : The revenue drastically decrease, since the revenue decrease, I cannot buy a lot of inventory to be sold, so when customer ask for particular goods, I do not have the goods and I cannot fulfill their needs.

Name : Yeshinta Position : Owner of Pejuang Jaya Motor
Q : Is there any changes in the price of motorcycle spare part?
A : There are some increases on the imported modified parts and accessories prices that come from Thailand. However, goods from China is cheaper rather than other countries, but the quality is lower
Q : What is the impact to your retail business?
A : The main problem is the decreasing of buying power, when the buying power decrease, the revenue will also decrease and it affected to my purchasing power as well, causing there are several products that I do not buy anymore.

Name : Budi Position : Owner of Priok Jaya Motor
Q : Is there any changes in the price of motorcycle spare part?
A : Usually the goods that increase are the modified goods such as alloy wheels and racing exhaust from Thailand and Vietnam.
Q : What is the impact of this condition to your business?
A : The revenue decrease by half compare to few months before. The most felt by retailers is the decreasing on buying power, when the revenue decreases, the business capital will also decrease, it could difficult retailer to provide complete inventory.

Name : Genoveva Position : Owner of Iwata Motor
Q : Whether the customer of Iwata Motor declining or not? Considering the decreasing in buying power.
A : The customers of Iwata Motor is not decreasing, since the decreasing on buying power did not give any impact to the Iwata Motor businesses.

According to Indonesian ex vice Minister of Commerce Bayu Krisnamurthi (2014), Indonesian industries still depend on raw material such as plastic ore and iron ore for industries, in 2014 import value for raw material reached 92 percent of total import value. With the value of Indonesian currency against stronger currency such as US Dollar, it could affect the production cost and minimize the profit margin of motorcycle spare part industries. However, according to Sani (2015), motorcycle spare part industries will not increase the selling price, in fact they will

suppress the profit margin so the price in the market will not increase to adjust to economic condition.

This decision really help motorcycle spare part retail business and also help the customer to get motorcycle spare part at affordable price in the middle of economic slowdown. However, if the industries decide not to suppress the profit margin and eventually increase the selling price, it could worsen the condition of motorcycle spare part retail business because when the decreasing of buying power combine with the increasing of price, it could become a disaster for business owner.

The most important in retail business is the people buying decision and buying power. Motorcycle spare part retail businesses really affected by the declining of currency value, when the value of a currency fall it means the buying power will decrease and it could affect to the buying decision, people will discouraged to buy if they aware of their capabilities to purchase an item. The consumption of primary needs such as food and clothes is decreased when a currency is being depreciated. Moreover, the consumption of secondary needs such as motorcycle spare part.

Most of motorcycle user think to maintain their motorcycle is not a basic needs and the replacement of old parts could be wait until their buying power is strengthen. The weakened of buying power give trouble to motorcycle spare part retailer. When the buying power decrease, then people will decrease their spending as well. By the rupiah depreciation, people started to consider which thing should be prioritized, the groceries or the motorcycle spare parts. There are two ways that people do to save their money, first is people choose to endure the lifetime of old parts or second they would shift to cheaper product, which has lower quality. When people shift to cheaper product or extending the lifetime of old parts, it could reduce the revenue of motorcycle spare part retail businesses and in the end it could affect to the continuity of motorcycle spare parts retail businesses.

When the revenue of the retailer decreases, it could decrease retailer purchasing power as well. Retailer need money to replenish their inventory and when their revenue decreases, the number and variant of inventory also decrease. Nowadays motorcycle spare part retailer only provide the standard and fast moving goods, they start to decrease even eliminate the rare parts or slow moving goods. Because, in the middle of this economic situation they need fast turnover to generate profit and to get their capital back to replenishes the stock.

There are local motorcycle spare part retailers that provide goods from other countries, however due to decreasing in Indonesian Rupiah value, imported motorcycle part from Thailand, Taiwan and Japan become more expensive except goods from China become less expensive compare to other countries because of China decision to devaluate their currency (Lumaksono, 2015). Imported motorcycle spare parts from Thailand, Taiwan and Japan have higher quality compare to imported goods from China, the differences in quality also become the reason why goods from China is cheaper compare to other countries. This condition force the motorcycle spare part retailer which has been providing goods imported from Thailand, Taiwan and Japan switch to imported goods from China because the demand of cheaper product increase due to decreasing buying power.

However, the conditions of local motorcycle spare part retail businesses contrary with the condition of authorized motorcycle service and sales. In the middle of economic slowdown supported by the decreasing in people buying power, do not make authorized seller of spare part losing its customer. While other local motorcycle spare part retail business experienced a downturn, the authorized motorcycle service and seller of spare part business looks fine, according to Genoveva (2015), the revenue of Iwata Motor did not decline because the customer of Iwata Motor did not decline. The activity of selling spare parts at authorized seller

supported by the activity of services, so the motorcycle service support the sale of spare part to stabilize the cash inflow. When people discourage to buy replacement parts for their motorcycle, they chose to check their motorcycle regularly and if there is a problem with their motorcycle, they will replace some parts that is very necessary to be replaced.

The authorized motorcycle service and sales revenue remain stable also because the tendency of motorcycle user which has new motorcycle to bring their motorcycle to authorized motorcycle service and sales to take the advantage of free services. They attracted by the free service but they still need to pay for the parts, so the services support the spare part sales. Thus, the rupiah depreciation greatly affected the condition of local or unauthorized motorcycle spare part retail businesses by decreasing their revenue which in the end could decrease the retailer purchasing power as well, while rupiah depreciation does not affect the condition of authorized motorcycle service and spare part because beside selling motorcycle parts, they also supported by the service activity.

4.3. What are Strategies Taken by Motorcycle Spare Part Retailer to Survive from Rupiah Depreciation

Name : Robby Position : Owner of New Gaya Motor
Q : What strategy do you use to attract more customer and survive from current condition?
A : Increase people awareness by adding more display product. I also start to provide goods from China to give people more option.

Name : Yeshinta Position : Owner of Pejuang Jaya Motor

Q : What strategy do you use to attract more customer and survive from current condition?
A : Attract more people to buy by do not charge credit card usage fee, people will spend more money if they pay not directly from their pocket in form of cash

Name : Budi Position : Owner of Priok Jaya Motor
Q : What strategy do you use to attract more customer and survive from current condition?
A : Usually I just selling several products below market price to return the capital

To improve the economic condition in developing countries, the government should do several things such as improve the infrastructure, stimulate the investment sector, improve industries competitiveness to compete in international trade, helping people to access financial services and many things. However, while waiting for the government in the realization of development plans, citizens and micro, small and medium business owner could do something such as increase the economic growth through consumer spending, to improve the domestic market and by giving product at affordable price. The thing is to survive from this condition while waiting for the government plan to work. Survive in this condition means to survive in running the business so it does not go bankrupt.

To survive from current economic condition, motorcycle spare part retailer already implemented several strategies. These strategies aimed to attract more customers and to survive from current economic condition. Motorcycle spare part retailer tried to give more option of goods to be

purchased, from the genuine parts with higher quality and more expensive price to non-genuine and fake parts that have lower quality but cheaper price. This strategy aims to attract more customer that start to make priority list, so customer could choose which goods they capable to buy according to their financial situation. By dividing the grade or level of quality and price of goods sold, the buyer can make it easier to determine which item should be prioritize, customer could choose lower grade with cheaper price for the parts that do not really important and choose high grade for the most important parts in motorcycle such as chain, rim, canvas brake, etc.

By dividing the grade, it could attract customer to buy even for the cheaper goods and it could help motorcycle spare part retailer to generate more cash and profits to keep their business running well. If motorcycle spare part retail businesses just provide good quality with expensive price in the middle of economic slowdown, it could slow down the circulation of money because fewer and fewer people will buy the expensive item. Motorcycle spare part retailer still need to provide good quality product even the price is high just in case if there are people who prioritize the quality, the supply of low quality and inexpensive goods only as an additional source of revenue adjusting the economic situation where people try to save their money and limit their spending from other necessities except primary needs. Thus, the motorcycle spare part retail businesses suggested to providing both of high quality that has expensive price and low quality with cheaper price products to give people more choice in the middle of economic slowdown.

There are several motorcycle spare part retailers that attract more customers by increase customer buying intention. By eliminate the credit card usage fee, the retailer wants to increase people buying intention. According to Tracy Schmidt (2015), in today's world, customers expect to pay for their purchases with a credit card or debit card. What people care about are the convenience and benefits of paying with card, they do

not have to worry about losing their money at that moment, and they can pay for what they buy at the end of the month. The usage of credit card would make people to spend more because they do not directly take the money out of their wallet and it could help people to buy things in the first place and then pay for it later. The decision of several motorcycle spare part retailer to eliminate the credit card usage fee could ease the burden on buyers because they are not required to pay the

According to Yeshinta and Budi (2015), the decreasing in the revenue affected to their purchasing power as well, when the revenue decreases, there is not much money left to replenish the stock like before. This problem arises because they use their own capital, meaning use money directly from their pocket. To overcome this problem, motorcycle spare part retailer should take advantage of government economic policy that lowering the business credit from 22 percent to 9 percent. Motorcycle spare part retailer could borrow money to share the burden of capital, for example 50 percent from their own capital and the rest of 50 percent from loans. With this way, motorcycle spare part retailer could replenish the stock as it should be, so they do not have to reduce or eliminate several goods from their inventory.

CHAPTER V

CONCLUSION AND RECOMMENDATION

5.1. Conclusion

The current Indonesian rupiah condition affected by global economic condition and it is affecting the Indonesian motorcycle industries including Indonesian motorcycle spare parts industries have lead researcher to do phenomenological research to give clear explanation and understanding regarding to the phenomena. There are two main problem questioned to be answer in this research, they are how rupiah depreciation can affect the motorcycle spare part retail businesses and what are motorcycle spare parts retailer strategies to survive from current economic condition. The answer of those problems can be concluded as below.

1. This research identified the effect of rupiah depreciation on motorcycle spare parts retailer businesses is the effect on the buying power, the decreasing on buying power causing motorcycle spare parts retailer losing its revenue by almost half. Motorcycle users try to endure the schedule of motorcycle maintenance to save their money for other needs, this condition affected to the buying power of motorcycle spare part retailer as well, when the revenue decrease, motorcycle spare part retailer should decrease the purchasing as well. However, this condition do not affect the authorized motorcycle services and sales, most of people that have newly purchases motorcycle or people who do not quite understand about the motorcycle tend to bring their motorcycle to the authorized motorcycle service to do regular maintenance, when they are told that there are parts that need to be replace then they will approve the action to replace the parts. The difference with people that understand the motorcycle better is they who will

determine when the parts will be replace. So, that is the reason why authorized motorcycle service revenue does not affected by the decline in buying power.

2. This research identified there are several strategies perform by motorcycle spare parts retailer to maintain the sales in this economic condition. First, by divide the goods into several grades with various prices as well, by selling lower grade goods with cheaper price, it could help people to find what they need accordance with their capabilities. Second, increase customer buying intention by eliminate the credit card usage fee. CustoeMrs nowadays expect to pay with credit or debit card because it could give convenience and benefits of paying with card, they do not have to bring lots of money and the benefit is they can pay the goods at the end of the month if they use credit card. Furthermore, the decreasing in the revenue could affect to retailer purchasing power and it will burden the motorcycle spare part retailer to replenish the inventory because most of the retailer use their own capital instead of borrow money from banks. To overcome this problem, motorcycle spare part retailer should take advantage of current government economic policy that lowering business credit from 22 percent to 9 percent. So, motorcycle spare part retailer could replenish their inventory as it should be without reducing or eliminating several goods from their inventory.

5.2 Recommendation

5.2.1 For Business Player of Motorcycle Spare Parts

After doing research to some motorcycle spare parts businesses in the middle of economic slowdown in Indonesia, researcher recommend motorcycle spare parts businesses to implement several strategies. First, through cooperation between motorcycles spare parts retail store and the banks to implement the installment

program. Second, by giving Bonus Point with purchase multiple of a few hundred thousand rupiah each point, when the Bonus Point reached target, the customer could redeemed the Bonus Point with product or even with cash.

5.2.2 For Indonesian Government

Researcher found that the problem of motorcycle spare parts industries is the price of imported raw materials is too expensive. In fact, Indonesia has the raw materials, but most of them are exported to other countries. Researcher recommends the government of Indonesia to enhance the growth of domestic industry both raw materials industry and finished goods industry by strengthening the relationship between the two industries. So that the domestic industry will be able to use domestic raw materials more effectively because most of the supplies are given to the domestic industry. For example motorcycle spare parts industry need iron to produce some goods, so the government supposed to enhance the relation between PT. Krakatau Steel and motorcycle spare parts industries.

5.2.3 For Future Researcher

This research is being made to provide information for better understanding and explanation about the relation of economic situation and the economic activity. Future researcher could use this research to understand better and deeper about the effect of currency depreciation to other economic activity beside motorcycle spare parts industry. The result of the research could be different depend on the situation of the country and the government regulations at that time.

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Name : Robby
Company : New Gaya Motor
Date of Interview : November 5, 2015
Position : Owner

Q : Is there any changes in the price of motorcycle spare parts given by the supplier, decrease or increase?

A : There is a significant increasing, 2 – 3 times of increasing for imported products such as from Thailand and Japan, but imported goods coming from China is cheaper, and there is no significant increasing for domestic products.

Q : Because of the price increase, it gives impact to the buying decision?

A : Yes, when people know that the price increase then they are discourage to buy the goods.

Q : In your opinion, what is the reason for this increases and why?

A : I think this condition is because recently the value of our currency falls against the US dollar and it makes the price of imported goods from Thailand and Taiwan become more expensive.

Q : What is the impact of this situation to the business?

A : The revenue drastically decrease since most of parts that I provide are racing and variation parts, and since the revenue decrease, I cannot buy a lot of inventory to be sold, so when customer ask for standard spare parts I do not have the parts that they want and I cannot fulfill their needs.

Q : What strategies do you use to attract more customer and survive from current condition?

A : By adding more display product it will increase people awareness of this store, since this store dominated by racing parts, I also start to provide goods from China to give people more option. I also sell online through Facebook and Blackberry Messenger.

Name : Yeshinta
Company : Pejuang Jaya Motor
Date of Interview : November 6, 2015
Position : Owner

Q : Is there any changes in the price of motorcycle spare parts given by the supplier, decrease or increase?

A : Actually there are some increases on the modified parts and accessories prices that we have to import from other countries such as Thailand, however the price of goods from China is cheaper rather than other countries, but the quality is lower. Many people shift to lower quality to save their money. The prices of genuine spare parts that produce in Indonesia do not change.

Q : So, there is an increasing on the prices, in your opinion, what is the factor that caused the price change?

A : The factor of the increases is the capabilities of rupiah to buy imported goods because the value of dollar goes up compare to rupiah, because of the value of U.S. dollar rise, the imported goods become more expensive and importer need to pay more for gasoline to bring the goods from Thailand to Indonesia. But, for genuine parts did not have any changes.

Q : As a result of this condition, what is the impact to your retail business?

A : There is no direct impact to my business in terms of price changes, the main problem is the decreasing of buying power caused by value of rupiah fall. The decreasing of buying power causing a decrease in revenues by half even more and it affected to my purchasing power as well. There are several products that I do not buy anymore

Q : In your opinion, what is the cause of the decreasing of motorcycle spare parts demand?

A : People tried to reduce the consumption of secondary needs and focusing on primary needs such as food and clothes. Even replacing worn out spare parts is the primary needs of their motorcycle, but maybe they think they can endure the life span of worn out parts, in fact, extending the using of worn parts will cause damage to the other parts.

Q : In this current condition, what is your strategies to attract more customer and survive from current condition?

A : I am trying to sell spare parts via social media such as Facebook and the response that I got was very good, a lot of people from other town, region even from other countries have been purchased through Facebook. To attract more people to buy I do not charge credit card usage fee, people will spend more if they pay not directly from their pocket in form of cash.

Name : Winata
Company : Citra Mitra Lestari
Date of Interview : November 12, 2015
Position : Owner

Q : In this economic condition, is there any changes in the price that you give to the retailers?

A : There is no change in price which I gave to retailers. I raise the price only if the factory raises the price since I just provide spare parts that made in Indonesia.

Q : Why do you only supply the spare parts that are made in Indonesia? Why not provide from other countries as well?

A : Modified parts from other countries has a fluctuating price, providing genuine spare parts made in Indonesia gives more convenience than providing imported goods and also modified spare parts has a smaller market than the regular spare parts.

Q : What is the impact of current condition to your business?

A : The impact of course the decreasing on revenues, since the retailers lost their revenues, I as the supplier also lost my revenues. Reordering from retailers is not running as smoothly as before because the retailers also got difficulty in selling the goods.

Q : In your opinion, what is the cause of the decline in retailers and suppliers revenue?

A : Since the price did not change, so the reason is because the decreasing on buying power.

Q : In your opinion, why do you think manufacturer did not raise the price?

A : I read the articles that said manufacturer reduce their profit in order to not raise the price, they want to keep the economy stable

Q : What is your strategy to face this condition?

A : For now I do not have any strategy to be applied. The thing I can do now is only actively offer the goods to the retailers by phone.

Name : Budi
Company : Priok Jaya Motor
Date of Interview : November 19, 2015
Position : Owner

Q : Is there any changes in the price of motorcycle spare parts given by the supplier, decrease or increase? If the price increases, what is the factor?

A : Some goods increase, some goods did not increase. Usually the goods that increase are the modified goods such as alloy wheels and racing exhaust from Thailand and Vietnam. The increasing is because the value of rupiah decreases, so the imported goods prices become more expensive.

Q : As a result of price changes by the supplier, is there any changes on the spare parts prices by retailer?

A : Some of retailers take advantage by increasing the price, but I did not increase the price. Even selling with current price the buyer decreasing already.

Q : What is the impact of this condition to your business?

A : The revenue decrease by half compare to few months before rupiah decreasing. The most felt by retailers is the decreasing on buying power, when the revenue decrease, the business capital will also decrease, it could difficult me as retailer to provide complete inventory.

Q : What is the decreasing on demand of main parts of motorcycle that most felt during this condition?

A : Such as tire, even the tire is already attrition, but the user of motorcycle endure the uses of the tire to 1 month ahead. But there is part that they should replace such as brake lining, if they do not replace the brake lining, it could affect other parts such as disc brakes and the drum.

Q : There are any strategies to attract more customer and survive from this situation?

A : For now there is no strategies applied by me. Usually just selling several products below market price to return the capital of those goods and improve service to the customer.

Name : Genoveva
Company : Iwata Motor
Date of Interview : November 26, 2015
Position : Owner

Q : Is there any changes in the price of motorcycle spare parts given by the supplier, decrease or increase? If the price increases, what is the factor?

A : There is increases in the prices given by the supplier, but the increases is stable because it is normal if the supplier of motorcycle spare parts gradually increase the price once a year. Rupiah depreciation is not the reason.

Q : As a result of price changes by the supplier, is there any changes on the spare parts prices by authorized motorcycle service and spare parts?

A : Because the price increase in the normal state, means the increases is not significant, Iwata Motor as authorized motorcycle service and spare parts did not increase the price of spare parts, Iwata Motor just increase the price in line with the new price list once a year.

Q : Is there any changes on the service cost?

A : The cost of motorcycle services depend on the owner of the authorized motorcycle service and spare parts. I as the owner of Iwata Motor deciding to increase the service cost according to the competition among authorized motorcycle service. Since other authorized motorcycle service did not increase the service cost, Iwata Motor is not increase the cost as well.

Q : Whether the customers of Iwata Motor declining or not? Considering the decreasing in buying power

A: The customers of Iwata Motor is not decreasing, since the decreasing on buying power did not give any impact to the Iwata Motor businesses, because of that, the revenue of Iwata Motor is not decline.

Q : What are the strategies done by Iwata Motor to face current economic condition?

A : Since the rupiah depreciation and decreasing on buying power did not give impact to the businesses, Iwata Motor did not do any strategies to face current economic condition

