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Target Costing in an Effort to Increase Profits

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ABSTRACT
MSMEs in Indonesia face persistent challenges in cost control and profitability management, particularly in the competitive convection industry, where pricing pressures and production inefficiencies threaten business sustainability. The purpose of this study is to analyze the effectiveness of implementing target costing in an effort to increase company profits. This research employs a descriptive qualitative method with a case study approach, utilizing primary data collected through interviews with business owners and documentation of financial records from Mazdar Collection. Data analysis involves a systematic comparison of production costs before and after target costing implementation, incorporating value engineering techniques to identify cost reduction opportunities across raw materials, auxiliary materials, direct labor, and factory overhead. The results of the study show that the calculation of target costing at Mazdar Collection can increase company profits by 27%, including a 39% rise from jacket sales and 26% from sales of almamater uniforms. Specifically, total production costs decreased from IDR 192,377,000 to IDR 155,835,369 through strategic supplier selection and process optimization, while maintaining product quality and competitive pricing. Jacket product profitability improved from 17% to 39%, and almamater uniform profitability increased from 9% to 26%, both surpassing the owner's target profit margin of 25%. Therefore, Mazdar Collection should continue implementing the target costing method to achieve the desired profit levels. This study contributes to MSME management literature by demonstrating the practical application of target costing with detailed value engineering implementation, offering replicable strategies for similar small-scale manufacturing enterprises facing cost efficiency challenges in competitive markets.

INTRODUCTION

The development of the Micro, Small, and Medium Enterprises (MSMEs) sector in Indonesia is one of the backbones of the national economy (Saputra & Darmawan, 2023; Sinha et al., 2024; Sunoko et al., 2021). Data from the Ministry of Cooperatives and SMEs shows that MSMEs contribute more than 60% to Indonesia's Gross Domestic Product (GDP) and absorb a large number of workers (Kurniadi et al., 2024). Among the various types of MSMEs, the home industry has (Yolanda, 2024) an important role as a driver of the local economy because of its flexibility, affordability of capital, and ability to create jobs. One of the MSME subsectors that is quite developed is the convection industry, which is a business engaged in clothing production (Ariani et al., 2024; Mufti et al., 2025). The home convection industry is generally managed simply, both in terms of management and financial strategy. Nevertheless, the sector still faces complex challenges, especially in terms of cost control and competitive pricing (Ziari et al., 2022). In an increasingly dynamic and competitive business environment, the ability to maintain cost efficiency and set a selling price that is in accordance with the market price is key to maintaining business continuity and increasing profitability (De Matteis et al., 2023).

Therefore, a more systematic cost management approach is needed, one of which is through the application of (Mumu et al., 2023) the target costing method.

The target costing method is the process of determining the maximum cost that can be incurred by a company in making a product (Palulun et al., 2021). With target costing, companies can determine the desired costs and profits obtained based on market or competitor prices minus the desired profit or called price-driven costing (Tarigan & Saragih, 2025). So this method allows companies to design products at a cost efficient, in order to remain competitive in the market (Sudirjo, 2023). As one of the innovation management, the implementation of target costing in a company must also pay attention to matters related to the successful implementation of the innovation (Rounaghi et al., 2021). Generally, companies operate by developing and producing goods or services first. Then start calculating the costs incurred for that type of production and setting the selling price for the product, after which the product is ready to be marketed. However, in the target costing method, the process that occurs is the opposite. Once the company knows the price that will be charged on its products, then the company begins to develop its products that can be marketed profitably at a predetermined price level (Hussien, 2021).

Some previous studies have shown that the application of the target costing proven effective in increasing business profitability in various MSME sectors and home industries (Merjane et al., 2024). with the title Approach (Mahsunah & Hariyati, 2021) Target Costing As a tool to make production cost efficiency in MSMEs, Ten Kitchen Bogor City emphasized that target costing help MSMEs redesign products to reduce costs and adjust selling prices. with the title Implementation Analysis (Malluka et al., 2023) Target Costing As a production cost control system in increasing profits in UD. Rante Tondon in Manado showed that the application of this method to UD. Rante Tondon was able to significantly reduce production costs and increase profits from 9% to 25%. (Rakhmawati & Mui'jz, 2023) with the title Analysis Target Costing In the Profit Optimization of Micro, Small and Medium Enterprises, it was shown that the implementation of the costing target in MSMEs Iqbal Collection succeeded in reducing production costs from IDR 52,905,000 to IDR 49,905,000, resulting in an efficiency of 5.67%. In addition, profit increased from IDR 2,595,000 to IDR 5,595,000, showing an increase in profitability of 10.08%. These findings indicate that target costing effective in optimizing profits without sacrificing product quality, so that it can be a strategy that supports the competitiveness of MSMEs (Pratista & Santoso, 2024; Simbolon et al., 2025; Thapayom, 2022). However, in previous research conducted by the application of (Mahsunah & Hariyati, 2021) target costing, there are still limitations in obtaining data where the research only uses secondary data from fifteen articles from 2014 to 2020, so that the validity of the findings can be improved with case studies, besides that the research only focuses on one MSME, namely UD. Rante Tondon without comparing it with other MSMEs that implement (Malluka et al., 2023) target costing, so the generalization of the findings is still limited.

Mazdar Collection is one example of convection MSMEs engaged in the production of clothes such as jackets and almamater uniforms.

Table 1. Mazdar Collection Profit Margin Calculation for 2021-2023

Year	Selling Price	Production Costs	Profit Margin	
			Rp	%
2021	IDR 198.765.600	IDR 165,400,400	IDR 33,365,600	17%
2022	IDR 250,235,500	IDR 200,356,820	IDR 49,878,680	20%
2023	IDR 223,500,000	IDR 192,377,000	IDR 31,123,000	16%

Source: Processed Data (2025)

Based on the table above, Mazdar Collection experienced a decline in profit in 2023. The company sets the expected profit at 15%, but the actual profit obtained is 16% where there is a difference of 9% to achieve the company's expected profit. So it is necessary to calculate

the costing target to achieve the expected profit. Looking at the production costs of the Mazdar Collection, there are some production costs that are considered too high to be used in manufacturing products, with increasingly fierce competition, so with high production costs, it is certainly inefficient to achieve the expected profit target.

Despite growing recognition of target costing's potential benefits, a significant research gap persists regarding its detailed implementation in Indonesian convection MSMEs, particularly concerning the practical application of value engineering across diverse cost components. Unlike previous MSME target costing studies that primarily examined aggregate cost reductions (Mahsunah & Hariyati, 2021; Malluka et al., 2023), this research applies systematic value engineering to identify specific cost savings opportunities in raw materials, auxiliary materials, and overhead costs, providing granular insights into operationalizing target costing in resource-constrained small business environments.

This study addresses the following research problem: How can Mazdar Collection implement target costing methodology to bridge the gap between current profitability (16%) and desired profit margins (25%) while maintaining product quality and competitive market positioning? Specifically, this research aims to: (1) calculate production costs using target costing methodology at Mazdar Collection; (2) implement value engineering to identify cost reduction opportunities without compromising product quality; (3) compare profit margins before and after target costing implementation; and (4) evaluate the effectiveness of target costing in achieving desired profitability targets.

The significance of this research extends beyond the immediate case study, offering both theoretical and practical contributions. Theoretically, it enriches management accounting literature by demonstrating detailed target costing application within the Indonesian MSME context, particularly in the convection industry where cost pressures are acute. Practically, it provides actionable strategies for MSME owners and managers seeking to enhance profitability through systematic cost management, including specific supplier selection criteria, value engineering techniques, and profitability monitoring frameworks. The findings have implications for MSME development policy, suggesting that capacity-building programs in strategic cost management could significantly enhance small business competitiveness and sustainability in Indonesia's manufacturing sector.

RESEARCH METHOD

This study employed a descriptive qualitative case study design, focusing on detailed cost calculation and comparative profit analysis. It aimed to describe the actual conditions of the researched events to obtain objective data for analyzing target costing as a means to increase profits at Mazdar Collection.

Mazdar Collection was selected as the research site using purposive sampling based on several criteria: (1) it was an active convection MSME with at least three years of operation; (2) it was willing to provide comprehensive financial and production data; (3) it had encountered profitability challenges related to cost management; and (4) it produced multiple product lines that enabled comparative analysis. This selection ensured that the case provided relevant and rich data for examining target costing implementation under typical MSME operating conditions.

The study utilized both quantitative and qualitative data. Quantitative data included numerical information such as sales figures, production costs, and related financial metrics. Qualitative data were obtained from interviews addressing business practices and operational factors influencing profitability.

Primary data were collected directly from the business through interviews with the owner about pricing strategies, cost structures, profit expectations, and operational challenges, as well as through company financial records and production documentation, including material specifications and overhead cost details. Secondary data were drawn from academic literature on target costing methodology, value engineering, and MSME cost management practices.
Data collection methods consisted of observation, interviews, and documentation. Observation involved direct examination of business operations; interviews were conducted with the company owner to gather relevant insights; and documentation included reviewing financial and operational records related to the study.

The analysis is carried out with the following steps:

1. Calculation of actual costs and profits before the implementation of the costing target
2. Calculation of costs and profits based on the target costing method
   a. Determine competitive selling prices.
   b. Determine the desired profit.

Target Profit = Expected Profit x Total Revenue

   c. Determining the amount of value from the calculation of the target costing

Target Cost = Selling Price *x* Expected Profit

   d. Doing value engineering
      The author will find out the impact of the implementation of target costing in an effort to increase the company's profit on the Mazdar Collection
3. Comparison of profit margins before and after the implementation of the costing target

To ensure data reliability and validity, triangulation techniques were employed by cross-verifying information from multiple sources. Financial data reported in interviews were validated against documentary evidence from invoices and accounting records. Production cost calculations were verified through direct observation of manufacturing processes and material consumption patterns. Any discrepancies identified during cross-verification were clarified through follow-up discussions with the business owner, ensuring data accuracy and consistency.

RESULTS AND DISCUSSION

Company Overview

Mazdar Collection is a Micro, Small, and Medium Enterprises (MSMEs) established by Mr. Kadaryanto in 2018 with a business location at Puri Nirwana 1 Blok X No. 14, Pabuaran Village, Cibinong District, Bogor Regency, West Java Province. Since its inception, Mazdar Collection has been committed to providing quality clothing products such as jackets, and almamater uniforms designed to meet customer needs with good standards and attractive designs.

Calculation of Production Costs by Company

Production Cost is all the expenses incurred by a company to produce products, from processing raw materials to becoming goods that are ready to be sold. These costs include all directly related costs such as raw material costs, auxiliary material costs, direct labor costs and factory overhead costs. Product Production Costs are calculated by Mazdar Collection by calculating the costs incurred at the time of product production.

Table 2. Production Quantity in 2023

Product	Quantity(pcs)
Jacket	500
Almamater	1,200

Source: Processed Data (2025)

From table 2. above, it shows that in 2023 the Mazdar Collection will produce 1,700 pcs of products with 500 units of jacket products and 1,200 units of alma mater uniforms. Production costs show all the costs sacrificed to make a product. These costs include raw material costs, auxiliary material costs, labor costs and factory overhead costs.

Raw Material Cost

The cost of raw materials is the price of obtaining raw materials used in product processing. The cost of the raw materials in question is the raw materials that are issued in accordance with the set standards, namely in the form of fleece fabric and sewing thread.

Table 3. Calculation of Cost of Raw Materials for Jacket Products

No	Raw Materials	Unit Price (Rp)	Use	Sum
1	Fleece Fabric	IDR 100,000	250 kg	IDR 25,000,000
2	Sewing Thread	IDR 38,000	23 dozen	IDR 874,000
Total				**IDR 25,874,000**

Source: Processed Data (2025)

From the table above, the calculation of the total cost of raw materials for jacket products is IDR 25,874,000 with details of fleece fabric raw materials for IDR 25,000,000 and sewing thread for IDR 874,000. Furthermore, the calculation of the cost of raw materials in almamater products is presented as follows.

Table 4. Calculation of Raw Material Cost of Almamater Uniform Products

No	Raw Materials	Unit Price (Rp)	Use	Sum
1	American Drill Fabric	IDR 35,500	1,800 meters	IDR 63,900,000
2	Sewing Thread	IDR 38,000	60 dozen	IDR 2,280,000
Total				**IDR 66,180,000**

Source: Processed Data (2025)

The table above shows the calculation of the total cost of raw materials for alma mater products of IDR 66,180,000 with details of raw materials for American drill fabric for IDR 63,900,000 and sewing thread for IDR 2,280,000.

Auxiliary Material Costs

The cost of auxiliary materials is the cost incurred for production but is not the main raw material such as overhead thread, size labels, plastic packing, embroidery, and zippers. The calculation of the cost of auxiliary materials is as follows.

Table 5. Calculation of the Cost of Jacket Product Auxiliary Materials

No	Information	Unit Price (Rp)	Use	Sum
1	Jacket Works Thread	IDR 28,000	42 Roll	IDR 1,176,000
2	Jacket Size Labels	IDR 3,500	2 sheets	IDR 7,000
3	Plastic Packing Jacket	IDR 1,000	500 pcs	IDR 500,000
4	Embroidery	IDR 20,000	500 pcs	IDR 10,000,000
5	Jacket Zipper	IDR 17,000	42 dozen	IDR 714,000
Total				**IDR 12,397,000**

Source: Data processed (2025)

The table above is a calculation of the cost of auxiliary materials for jacket products that occurred in the Mazdar collection for one year which was calculated at IDR 12,397,000. The following is a calculation of the cost of auxiliary materials for alma mater products in the form of overworks yarn, size labels, plastic packing, embroidery, and buttons.

Table 6. Calculation of the Cost of Almamater Uniform Product Auxiliary Materials

No	Information	Unit Price (Rp)	Use	Sum
1	Almamater WorksThread	IDR 28,000	107 Roll	IDR 2,996,000
2	Almamater Size Labels	IDR 3,500	5 sheets	IDR 17,500
3	Plastic Packing Almamater	IDR 1,000	1,200 pcs	IDR 1,200,000
4	Embroidery	IDR 15,000	1,200 pcs	IDR 18,000,000
5	Button	IDR 12,500	17 Wholesale	IDR 212,500
Total				**IDR 22,426,000**

Source: Data processed (2025)

From the table above, the total cost of helpers on alma mater products is calculated at IDR 22,426,000.

Direct Labor Costs

Direct labor costs are compensation paid to employees or labor whose benefits can be attributed to the products produced. Mazdar Collection has 3 part-time employees as tailors. This workforce can start production if there is an order from the customer that is received by the owner of the Mazdar collection. The following is the calculation of direct labor costs in 2023.

Table 7. Direct Labor Cost Calculation

No	Information	Wages/units	Number of Units	Total
1	Jacket tailor	IDR 30,000/unit	500	IDR 15,000,000
2	Almamater tailor	IDR 35,000/unit	1,200	IDR 42,000,000
Total			**1,700**	**IDR 57,000,000**

Source: Processed Data (2025)

From the table above, it is known that the tailor's wage for 1 unit of jacket is IDR 30,000 and the almamater's wage for 1 unit is IDR 35,000. With a total production of 500 jackets and a production of 1,200 units of almamater, the total direct labor cost is Rp 57,000,000.

Factory Overhead Costs

Overhead costs are a component of production costs outside of raw material costs and direct labor costs. The overhead costs referred to by the company are electricity and machine maintenance costs charged to each product unit. Here are the factory overhead costs charged on the product.

Table 8. Calculation of Factory Overhead Cost

No	Information	Cost	Unit	Sum
1	Jacket Products	IDR 5,000	500	IDR 2,500,000
2	Almamater products	IDR 5,000	1,200	IDR 6,000,000
Total			**1,700**	**IDR 8,500,000**

Source: Processed Data (2025)

Based on the table above, the overhead cost charged per product is IDR 5,000. With a total of 1,700 units, the total overhead cost of the factory is IDR 8,500,000. The calculation of total production costs in 2023 is presented in the following table:

Table 9. Calculation of Total Production Cost

Fee Type	Sum
Raw Material Cost	IDR 92,054,000
Auxiliary Material Costs	IDR 34,823,000
Direct Labor Costs	IDR 57,000,000
Factory Overhead Costs	IDR 8,500,000
Total Cost	**IDR 192,377,000**

Source: Data processed (2025)

The total production cost of the mazdar collection is IDR 192,377,000 which is the amount to produce 1,700 units of jackets and alma mater uniforms consisting of 500 units of jacket products and 1,200 units of alma mater uniforms. The cost of raw materials needed in the production of jackets is IDR 25,874,000, auxiliary costs are IDR 12,397,000, labor costs are IDR 15,000,000 and factory overhead costs are IDR 2,500,000. Meanwhile, the cost of raw materials needed in the production of almamater uniforms is IDR 66,180,000, auxiliary costs are IDR 22,426,000, labor costs are IDR 42,000,000 and factory overhead costs are IDR 6,000,000.

So that the total cost of raw materials for the production of jacket and alma mater products is IDR 92,054,000, auxiliary costs are IDR 34,823,000, direct labor costs are IDR 57,000,000, and factory overhead costs are IDR 8,500,000. From the calculation of the total production cost, the calculation of the production cost per unit is as follows:

Jacket Products

The cost of products for jacket production by admitting the overall cost incurred both from the cost of raw materials, the cost of auxiliary materials, the cost of direct labor and the overhead cost of the factory are as follows.

Table 10. Calculation of Production Cost Per Unit of Jacket Product

Information	Price	Use/Unit	Cost Per Unit
Raw Material Cost			
Fleece Fabric	IDR 25,000,000/250 kg	1 kg	IDR 50,000
Sewing Thread	IDR 874,000/138 yards	276 yards	IDR 1,747
Sum			**IDR 51,747**
Auxiliary Material Costs			
Works Thread	IDR 1,176,000/188 yards	376 yards	IDR 2,339
Size labels	IDR 7,000/500 pcs	1 pcs	IDR 13,46
Plastic packing	IDR 500.000/2 pieces	1 pcs	IDR 1,000
Embroidery	IDR 10,000,000/500 pcs	1 pcs	IDR 20,000
Resleting	IDR 714,000/42 dozen	1 pcs	IDR 1,416
Sum			**IDR 24,768,46**
Direct Labor Costs			
Tailor Wages	IDR 15,000,000/500 pcs	1 pcs	IDR 30,000
Sum			**IDR 30,000**
Factory Overhead Costs			
Electrical and Machinery Maintenance	IDR 2,500,000/500 pcs	1 pcs	IDR 5,000
Sum			**IDR 5,000**
Total Cost Per Unit			**IDR 111,515.46**

Source: Processed Data (2025)

From the table above, the production cost per unit on jacket products is Rp 111,515.46.

Almamater Uniform Products

The cost of products for jacket production by admitting the overall cost incurred both from the cost of raw materials, the cost of auxiliary materials, the cost of direct labor and the overhead cost of the factory are as follows.

Table 11. Calculation of Production Cost Per Unit of Almamater Uniform Products

Information	Price	Use/Unit	Cost Per Unit
Raw Material Cost			
American Drill Fabric	IDR 63,900,000/1,800 m	1.5 meters	IDR 53.250
Sewing Thread	IDR 2,280,000/360 yards	300 yards	IDR 1,899
Sum			**IDR 55,149**
Auxiliary Material Costs			

Information	Price	Use/Unit	Cost Per Unit
Works Thread	IDR 2,996,000/480 yards	401.25 yards	IDR 2,496.78
Size labels	IDR 17,500/15 pieces	1 pcs	IDR 13,46
Plastic packing	IDR 1,200,000/1,200 pcs	1 pcs	IDR 1,000
Embroidery	IDR 18,000,000/1,200 pcs	1 pcs	IDR 20,000
Button	IDR 212.500/17 wholesale	2 pcs	IDR 173,62
Sum			**IDR 23,683,86**
Direct Labor Costs			
Tailor Wages	IDR 42,000,000/1,200 pcs	1 pcs	IDR 35,000
Sum			**IDR 35,000**
Factory Overhead Costs			
Electrical and Machinery Maintenance	IDR 6,000,000/1,200 pcs	1 pcs	IDR 5,000
Sum			**IDR 5,000**
Total Cost Per Unit			**IDR 118,832.86**

Source: Processed Data (2025)

From the table above, the production cost per unit on almamater uniform products is Rp 118,832.86.

Calculation of Production Costs Using the Target Costing Method

- ***Determining a competitive market price***

Competitive market prices will determine the selling price set. Mazdar Collection determines the selling price based on the prevailing price in the market by comparing it with competitors. There are 2 competitors that make competitiveness quite high. Among them are Aliq Cloth and Spartan Store. The following is a comparison of the selling prices of Mazdar Collection products with their competitors.

Table 12. Comparison of Selling Prices with Competitors

Information	Mazdar Collection	Competitor Name	
		Aliq Cloth	Spartan Store
Jacket	IDR 135,000	IDR 140,000	IDR 130,000
Almamater Uniform	IDR 130,000	IDR 135,000	IDR 130,000

Source: Field Survey

Based on the table, the selling price of jacket and alma mater products is still competitive in the market, so the Mazdar Collection does not need to reset the selling price.

- ***Determining Expected Profits***

Based on the results of interviews with the owner of Mazdar Collection, the owner wants a profit of 25%. The profit was obtained due to fluctuating market prices and adjusting consumer interest and purchasing power. The following is information on the expected profit for each product.

Jacket Products

Target Profit = Selling Price – Expected Profit
= IDR 135,000 – 25%
= IDR 33,750

With the selling price of jacket products being IDR 135,000, so the expected profit amount is IDR 33,750

Almamater Uniform Products

Target Profit = Selling Price – Expected Profit
= IDR 130,000 – 25%
= IDR 32,500

With the selling price of almamater's uniform products of IDR 130,000, so the expected profit amount is IDR 32,500

- ***Calculating Target Costing***

Target costing can be calculated by subtracting the selling price by the expected profit. The following is the calculation of the target costing on jacket products and alma mater uniforms.

Jacket Products

The selling price of jacket products is IDR 135,000 with an expected profit of 25%, which is IDR 33,750. Hence, the calculation of the target costing is as follows.

Target Cost = Selling price – Expected profit
= IDR 135,000 – IDR 33,750
= IDR 101,250

From the calculation above, the maximum cost target that can be incurred by Mazdar Collection to produce one jacket unit is IDR 101,250.

Almamater Uniform Products

The selling price of jacket products is IDR 130,000 with an expected profit of 25%, which is IDR 32,500. Hence, the calculation of the target costing is as follows.

Target Cost = Selling price – Expected profit
= IDR 130,000 – IDR 32,500
= IDR 97,500

From the calculation above, the maximum cost target that can be incurred by Mazdar Collection to produce one unit of almamater uniform is IDR 97,500.

- ***Value Engineering***

Value engineering is all efforts that are deemed necessary to modify or redesign a product at a lower cost while still being accompanied by optimal value without compromising product quality. The value engineering process for jacket and almamater uniform products in the Mazdar Collection is carried out as follows.

Raw Materials

a. Jacket Products

Table 13. Comparison of Supplier Prices on Jacket Raw Materials

Raw Materials	PinG Shop	Sahabat Textile	Aneka Kain	Istana Textile
Fleece fabric	IDR 100,000/kg	IDR 70,000/kg	IDR 95.000/kg	IDR 75,000/kg
Sewing thread	IDR 38,000/dozen	IDR 15,000/dozen	IDR 20,000/dozen	IDR 17,000/dozen

Source: Processed Data (2025)

The fleece fabric used to produce jackets in the Mazdar Collection is obtained from the PinG Textile Shop located on Jalan KH Fachrudin 36 Blok C No. 38 Kec. Tanah Abang, DKI Jakarta at a price of Rp 100,000/kg. Fleece fabric can be obtained from other stores, namely at Toko Sahabat Textile located in Bubulak, West Bogor District, Bogor City at a price of Rp 70,000/kg. Furthermore, the sewing thread used is the 500 yards yamalon brand obtained from

Toko Rita which is located on Jalan Raya Mayor Oking Jaya Atmaja, Ciriung, Cibinong District, Bogor Regency. with a price of IDR 38,000/dozen. The sewing thread can be replaced with another brand, namely panda brand sewing thread obtained from the Surya Sewing Tool Shop located at Tanah Abang Market Block C No. 91-92 Tanah Abang, Central Jakarta at a price of Rp 15,000/roll. So the raw materials that are carried out value engineering are as follows.

Table 14. Value Engineering on Jacket Product Raw Materials

No	Information	Before Value Engineering	After Value Engineering
1	Fleece Fabric	IDR 100,000/kg	IDR 70,000/kg
2	Sewing Thread	IDR 38,000/dozen	IDR 15,000/roll

Source: Processed Data (2025)

Based on the engineering process, the value of the two raw materials affects the total cost of raw materials. The following is a change in the total cost of raw materials for jacket products.

Table 15. Changes in Total Cost Per Unit on Jacket Product Raw Materials

No	Raw Materials	Price		Usage/Unit	Cost Per Unit	
		Before Value Engineering	After Value Engineering		Before Value Engineering	After Value Engineering
1	Fleece fabric	IDR 100,000	IDR 70,000	1 kg	IDR 50,000	IDR 35,000
2	Sewing thread	IDR 38,000	IDR 15,000	276 yards	IDR 1,747	IDR 975
Total					**IDR 51,747**	**IDR 35,975**

Source: Processed Data (2025)

From the change in the cost of raw materials that can be done, the Mazdar collection can save the cost of purchasing fleece fabric per 1 kg for IDR 30,000, thus the cost per unit of jacket for fleece fabric can be reduced from IDR 50,000 to IDR 35,000. Meanwhile, the cost of sewing thread raw materials, Mazdar Collection can also save the cost of purchasing sewing thread for IDR 23,000, so that the cost per unit of jacket for sewing thread can be reduced from IDR 1,747 to IDR 975.

b. Almamater Uniform Products

Table 16. Comparison of Supplier Prices on Almamater Raw Materials

Raw Materials	Pratama Textile	CV Sekain	Aneka Kain	Istana Textile
Fleece fabric	IDR 35,500/m	IDR 29,500/m	IDR 32,500/m	IDR 30,500/m
Sewing thread	IDR 38,000/dozen	IDR 15,000/dozen	IDR 20,000/dozen	IDR 17,000/dozen

Source: Processed Data (2025)

The American drill fabric obtained by Mazdar Collection to produce alma mater uniforms was obtained from Toko Pratama Textile Bogor at a price of Rp 35,500/m. This fabric can be obtained at another store, namely CV Sekain Tanah Abang which is located on Jalan Fachrudin 36 Blok C 14, Tanah Abang District, DKI Jakarta at a price of IDR 29,500/m. Furthermore, for sewing threads, Mazdar Collection obtained yamalon brand sewing threads 500 yards from Toko Rita located in Cibinong for IDR 38,000/dozen. The thread can be replaced with the panda brand obtained at the Surya Sewing Tool Shop located at Tanah Abang Market Block C No. 91-92 Tanah Abang, Central Jakarta at a price of Rp 15,000/roll. Hence, the raw materials that are carried out value engineering are as follows.

Table 17. Value Engineering on Almamater Uniform Product Raw Materials

No	Information	Before Value Engineering	After Value Engineering
1	Kain American Drill	IDR 35,500/m	IDR 29,500/m
2	Sewing Thread	IDR 38,000/dozen	IDR 15,000/roll

Source: Processed Data (2025)

Based on the engineering process, the value of the two raw materials affects the total cost of raw materials. The following is a change in the total cost of raw materials for almamater uniform products.

Table 18. Changes in Total Cost Per Unit on Raw Materials for Almamater Products

No	Raw Materials	Price		Usage/Unit	Cost Per Unit	
		Before Value Engineering	After Value Engineering		Before Value Engineering	After Value Engineering
1	American Drill Fabric	IDR 35,500/m	IDR 29,500/m	1.5 meters	IDR 53.250	IDR 44,250
2	Sewing thread	IDR 38,000/dozen	IDR 15,000/roll	300 yards	IDR 1,899	IDR 1,125
Total					**IDR 55,149**	**IDR 45,375**

Source: Processed Data (2025)

From the change in the cost of raw materials that can be done, Mazdar Collection can save the cost of purchasing American drill fabric per meter for IDR 6,000, thus the cost per unit of almamater for American Drill fabric can be reduced from IDR 53,250 to IDR 44,250. Meanwhile, the cost of sewing thread raw materials, Mazdar Collection can also save the cost of purchasing sewing thread for IDR 23,000, so that the cost per unit of jacket for sewing thread can be reduced from IDR 1,899 to IDR 1,125.

Helper Fee

a. Jacket Products

Table 19. Comparison of Supplier Prices on Jacket Auxiliary Materials

Raw Materials	Toko Rita	Surya Alat Jahit	Sumber Jahit	Toko Makmur
Obras thread grade A	IDR 28,000/roll	IDR 23,500/roll	IDR 27,000/roll	IDR 25,500/roll
Size labels	IDR 3,500/piece	IDR 2,000/piece	IDR 4,000/piece	IDR 3,000/piece
Plastic Packing	IDR 1,000/piece	IDR 200/piece	IDR 500/piece	IDR 300/piece
Resleting	IDR 17,000/dozen	IDR 12,000/dozen	IDR 16,000/dozen	IDR 18,000/dozen

Source: Processed Data (2025)

The auxiliary costs in the production of jackets are in the form of overflow yarn, size labels, plastic packing and zippers where the material is obtained from the same store, namely the Rita Cibinong Store with a price of overhead yarn of Rp 28,000/roll, size labels of Rp 3,500/sheet, plastic packing of Rp 1,000/pcs and zippers of Rp 17,000/dozen. These auxiliary materials can be obtained or replaced from other stores whose prices are more affordable, namely from the Surya Alat Jahit Shop located at Pasar Tanah Abang Blok C No. 91-92 Tanah Abang, Central Jakarta, with a price of overhead yarn of Rp 23,500/roll, size label of Rp 2,000/sheet, plastic packing of Rp 200/pcs, and zipper of Rp 12,000/dozen. As for embroidery, Mazdar Collection needs to reset the price of its services from Rp 20,000/pcs to Rp 10,000/pcs. This is based on the price of embroidery services at similar competitors. Hence, the auxiliary materials carried out by value engineering are as follows.

Table 20. Value Engineering on Jacket Product Auxiliary Materials

No	Information	Before Value Engineering	After Value Engineering
1	Obras Thread Grade A	IDR 28,000/roll	IDR 23,500/roll
2	Size Labels	IDR 3,500/piece	IDR 2,000/piece
3	Plastic Packing	IDR 1,000/piece	IDR 200/piece
4	Resleting	IDR 17,000/dozen	IDR 12,000/dozen
5	Embroidery	IDR 20,000/pcs	IDR 10,000/pcs

Source: Processed Data (2025)

Based on the engineering process, the value of the auxiliary material affects the total cost of raw materials. The following is a change in the total cost of jacket product auxiliary materials.

Table 21. Changes in the total cost per unit on the auxiliary materials of jacket products

No	Auxiliary Ingredients	Price		Usage/Unit	Cost Per Unit	
		Before Value Engineering	After Value Engineering		Before Value Engineering	After Value Engineering
1	Obras Thread Grade A	IDR 28,000/roll	IDR 23,500/roll	376 yards	IDR 2,339	IDR 1,962,72
2	Size Labels	IDR 3,500/piece	IDR 2,000/piece	1 pcs	IDR 13,46	IDR 7,69
3	Plastic Packing	IDR 1,000/pcs	IDR 200/pcs	1 pcs	IDR 1,000	IDR 200
4	Resleting	IDR 17,000/dozen	IDR 12,000/dozen	1 pcs	IDR 1,416	IDR 1,000
5	Embroidery	IDR 20,000	IDR 10,000	1 pcs	IDR 20,000	IDR 10,000
Total					**IDR24,768,46**	**IDR13,170.41**

Source: Processed Data (2025)

From the change in the cost of auxiliary materials that can be done, the Mazdar collection can save the cost of purchasing overhead yarn for IDR 4,500, size labels IDR 1,500, plastic packing IDR 800, zippers IDR 5,000, embroidery IDR 10,000. Thus, the cost per unit of jacket for overhead yarn can be reduced from IDR 2,339 to IDR 1,962.72, size labels from IDR 13.46 to IDR 7.69, plastic packing from IDR 1,000 to IDR 200, zippers from IDR 1,416 to IDR 1,000, embroidery from IDR 20,000 to IDR 10,000.

b. Almamater Uniform Products

Table 22. Comparison of Supplier Prices on Almamater Auxiliary Materials

Raw Materials	Toko Rita	Surya Alat Jahit	Sumber Jahit	Toko Makmur
Obras Thread grade A	IDR 28,000/roll	IDR 23,500/roll	IDR 27,000/roll	IDR 25,500/roll
Size labels	IDR 3,500/lbr	IDR 2,000/lbr	IDR 4,000/lbr	IDR 3,000/lbr
Plastic Packing	IDR 1,000/lbr	IDR 200/lbr	Rp 500/lbr	IDR 300/lbr
Button	IDR 12,500/wholesale	IDR 9,000/wholesale	IDR 10,000/wholesale	IDR 11,500/wholesale

Source: Processed Data (2025)

The auxiliary costs in the production of almamater uniforms are in the form of overworks yarn, size labels, plastic packing and buttons where the material is obtained from the same store, namely Toko Rita with the price of overhead yarn of IDR 28,000/roll, size labels of IDR 3,500/sheet, plastic packing IDR 1,000/pcs and buttons of IDR 12,500/gros. These auxiliary materials can be obtained or replaced from other stores whose prices are more affordable, namely from the Surya Alat Jahit Shop located at Pasar Tanah Abang Blok C No. 91-92 Tanah Abang, Central Jakarta, with a price of overhead yarn of IDR 23,500/roll, size labels of IDR 2,000/sheet, plastic packing of IDR 200/pcs, and buttons of IDR 9,000/gros. Similar to jacket products, for Mazdar Collection embroidery, it is necessary to reset the price of the service which was initially priced at IDR 15,000/pcs to IDR 10,000/pcs. This is also based on the price of embroidery services at similar competitors. Hence, the auxiliary materials carried out by value engineering are as follows.

Table 23. Value Engineering on Almamater Uniform Product Auxiliary Materials

No	Information	Before Value Engineering	After Value Engineering
1	Obras Thread Grade A	IDR 28,000/roll	IDR 23,500/roll
2	Size Labels	IDR 3,500/piece	IDR 2,000/piece
3	Plastic Packing	IDR 1,000/piece	IDR 200/piece
4	Button	IDR 12,500/wholesale	IDR 9,000/wholesale
5	Embroidery	IDR 15,000/pcs	IDR 10,000/pcs

Source: Processed Data (2025)

Based on the engineering process, the value of the auxiliary material affects the total cost of raw materials. The following is a change in the total cost of auxiliary materials for almamater uniform products.

Table 24. Changes in Total Cost Per Unit on Almamater Uniform Product Auxiliary Materials

No	Auxiliary Ingredients	Price		Usage/Unit	Cost Per Unit	
		Before Value Engineering	After Value Engineering		Before Value Engineering	After Value Engineering
1	Obras Thread Grade A	IDR 28,000/roll	IDR 23,500/roll	401.25 yards	IDR 2,496.78	IDR 2,094.53
2	Size Labels	IDR 3,500/piece	IDR 2,000/piece	1 pcs	IDR 13,46	IDR 7,69
3	Plastic Packing	IDR 1,000/pcs	IDR 200/pcs	1 pcs	IDR 1,000	IDR 200
4	Button	IDR 12,500/wholesale	IDR 9,000/wholesale	2 pcs	IDR 173,62	IDR 125
5	Embroidery	IDR 15,000	IDR 10,000	1 pcs	IDR 20,000	IDR 10,000
Total					**IDR23,683,86**	**IDR12,427,22**

Source: Processed Data (2025)

From the change in the cost of auxiliary materials that can be done, the Mazdar collection can save the cost of buying overhead yarn for IDR 28,000, size labels for IDR 1,500, plastic packing for IDR 800, buttons for IDR 3,500, embroidery for IDR 5,000. Thus, the cost per unit of almamater for overhead yarn can be reduced from IDR 2,496.78 to IDR 2,094.53, size labels from IDR 13.46 to IDR 7.69, plastic packing from IDR 1,000 to IDR 200, buttons from IDR 173.62 to IDR 125, embroidery from IDR 20,000 to IDR 10,000.

Direct Labor Costs

Workers in the Mazdar Collection are given wages or compensation per unit of product. With each unit of jacket, a wage of IDR 30,000 and an almamater uniform of IDR 35,000. In determining direct labor costs, Mazdar Collection is sufficient in accordance with the jobdesk provided, so that the cost does not change.

Factory Overhead Costs

The factory overhead costs incurred by Mazdar Collection in 2023 are IDR 8,500,000 consisting of electricity, engine maintenance and operational costs. For each unit of product, a fee of IDR 5,000 is charged. The overhead costs charged are still too high so costs need to be reduced according to the costs incurred. The cost that can be charged on the product is IDR 3,000. So that the factory overhead costs after the value engineering is carried out are as follows.

Table 25. Engineering Value on Factory Overhead Costs

Cost	Price		Number of Products	Sum	
	Before Value Engineering	After Value Engineering		Before Value Engineering	After Value Engineering
Electricity	IDR 2,000	IDR 1,000	500	IDR 1,000,000	IDR 500,000
Machine Maintenance	IDR 1,000	IDR 1,000		IDR 500,000	IDR 500,000
Operational	IDR 2,000	IDR 1,000		IDR 1,000,000	IDR 500,000
Total Cost Per Unit	**IDR 5,000**	**IDR 3,000**		**IDR 2,500,000**	**IDR 1,500,000**

Source: Processed Data (2025)

From the data above, it shows that the factory overhead cost on jacket and almmater products with a total cost per unit of IDR 3,000, so that the total overhead cost after value engineering is IDR 1,500,000.

Table 26. Changes in total cost per unit on factory overhead costs

Cost	Price		Number of Products	Sum	
	Before Value Engineering	After Value Engineering		Before Value Engineering	After Value Engineering
Electricity	IDR 2,000	IDR 1,000	1,200	IDR 2,400,000	IDR 1,200,000
Machine Maintenance	IDR 1,000	IDR 1,000		IDR 1,200,000	IDR 1,200,000
Operational	IDR 2,000	IDR 1,000		IDR 2,400,000	IDR 1,200,000
Total Cost Per Unit	**IDR 5,000**	**IDR 3,000**		**IDR 6,000,000**	**IDR 3,400,000**

Source: Processed Data (2025)

From the data above, it shows thatthe factory overhead cost on almamater uniform products with a total cost per unit of IDR 3,000. So that the total overhead cost after value engineering is IDR 3,400,000.

Mazdar Collection's Increased Profit Results

Profit Before Target Costing

Profit is the excess of total revenue from its total expenses. The profit calculation is carried out to see the profits achieved by the company. The calculation of profit before target costing for each product is as follows.

Table 27. Product Profit Calculation Before Target Costing

Product	Selling Price	Quantity Sold	Total (Rp)	Production Cost/Unit	Profit
Jacket	IDR 135,000	500	IDR 67,500,000	IDR 111,414.46	IDR 11,729,770
Almamater Uniform	IDR 130,000	1.200	IDR 156,000,000	IDR 118,832.86	IDR 13,400,568

Source: Processed Data (2025)

Based on the table above, it shows that jacket products with a selling price of IDR 135,000 were sold as many as 500 units with total sales of IDR 67,500,000, the production cost incurred per unit was IDR 111,414.46 so that the profit generated was IDR 11,729,770. Meanwhile, in alma mater uniform products, the selling price is IDR 130,000 with 1,200 units sold resulting in sales of IDR 156,000,000, production costs incurred per unit of IDR 118,832.86 so that the profit generated is IDR 13,400,568.

Profit After Target Costing

Profit is calculated after the costing target for each product is as follows.

Table 28. Product Profit Calculation After Target Costing

Product	Selling Price	Quantity Sold	Total (Rp)	Production Cost/Unit	Profit
Jacket	IDR 135,000	500	IDR 67,500,000	IDR 82,145.41	IDR 26,427,295
Almamater Uniform	IDR 130,000	1.200	IDR 156,000,000	IDR 95,802.22	IDR 41,037,336

Source: Processed Data (2025)

Based on the table above, it shows that jacket products with a selling price of IDR 135,000 were sold as many as 500 units with total sales of IDR 67,500,000, the cost incurred per unit was IDR 82,145.41 so that the profit generated was IDR 26,427,295. Meanwhile, in almamater uniform products, the selling price set at IDR 130,000 was sold as many as 1,200 units with total sales of IDR 156,000,000, the production cost incurred per unit was IDR 95,802.22 so that the profit generated was IDR 41,037,336.

Profit Difference Before and After Target Costing

After value engineering, some costs become more efficient. More efficient costs will make it easier for owners to achieve the desired profit target. So the calculation of the profit difference before and after the costing target is carried out to be able to see an increase in the percentage of profit on each product, namely jacket products and alma mater uniforms, for each product as follows.

Difference in the profit of jacket products

Table 29. Calculation of Difference in Profit Jacket Products

Information	Before Target Costing	After Target Costing
Income	IDR 67,500,000	IDR 67,500,000
Burden		
Raw Material Cost Burden	IDR 25,873,500	IDR 17,987,500
Cost Burden of Auxiliary Materials	IDR 12,384,230	IDR 6,585,205
Direct Labor Cost Burden	IDR 15,000,000	IDR 15,000,000
Factory Overhead Cost Burden	IDR 2,500,000	IDR 1,500,000
Total Load	**IDR 55,757,730**	**IDR 41,072,705**
Profit	**IDR 11,742,270**	**IDR 26,427,295**
Profit Percentage	**17%**	**39%**

Source: Processed Data (2025)

In jacket products, product revenue is IDR 67,500,000, the cost of raw materials changes from IDR 25,873,500 to IDR 17,987,500. The cost burden of auxiliary materials changed from IDR 12,384,230 to IDR 6,585,205. Then, there is no change in direct labor costs, which is IDR 15,000,000. The burden of factory overhead costs has resulted from IDR 2,500,000 to IDR 1,500,000. So that a profit beforethe costing target of IDR 11,742,270 can be obtained with a profit percentage of 17%. After the costing target, the profit percentage increased by 22% to 39% with a profit of IDR 26,427,295.

Difference in profit of almamater uniform products

Table 30. Calculation of Profit Difference for Almamater Uniform Products

Information	Before Target Costing	After Target Costing
Income	IDR 156,000,000	IDR 156,000,000
Burden		
Raw Material Cost Burden	IDR 66,178,800	IDR 54,450,000
Cost Burden of Auxiliary Materials	IDR 28,420,632	IDR 14,912,664
Direct Labor Cost Burden	IDR 42,000,000	IDR 42,000,000
Factory Overhead Cost Burden	IDR 6,000,000	IDR 3,400,000
Total Load	**IDR 142,599,432**	**IDR 114,762,664**
Profit	**IDR 13,400,568**	**IDR 41,237,336**
Profit Percentage	**9%**	**26%**

Source: Processed Data (2025)

In almamater uniform products, product revenue is IDR 156,000,000, the cost of raw materials changes from IDR 66,178,800 to IDR 54,450,000. The cost burden of auxiliary materials changed from IDR 28,420,632 to IDR 14,912,664. Then, there was no change in the direct labor cost, which was Rp 42,000,000. The burden of factory overhead costs has resulted from IDR 6,000,000 to IDR 3,400,000. So that profit before the costing target of IDR 13,400,568 can be obtained with a profit percentage of 9%. After the costing target, the profit percentage increased by 17% to 26% with a profit of IDR 41,237,336.

Analysis of the Effectiveness of Profit Targets Before and After Target Costing

From the calculation of profit before target costing, Mazdar Collection can only achieve 16% of the profit obtained from the sale of jacket products and almamater uniforms, where jacket products have a profit of 17% and almamater uniform products of 9%. The profit does not meet the expectations or desires of the business owner where the business owner wants a profit of 25% for each product. In this case, the costing target is applied in an effort to increase profits so that an increase in profit of 27% is obtained, which is 43% of the total sales of jacket products and alma mater uniforms where jacket products get an increase in profit of 22% from 17% to 39% and in almamater uniform products get an increase in profit of 17% from 9% to 26%. The results of value engineering in target costing can significantly increase profits so as to achieve the profit target desired by the owner. The percentage increase in profit of 22% on jacket products and 17% on alma mater products indicates an increase in profit obtained by Mazdar Collection after implementing the cost target

CONCLUSION

The study concluded that implementing target costing effectively optimized profits at Mazdar Collection, increasing profit from IDR 31,123,000 (16%) to IDR 67,412,500 (43%), a rise of IDR 36,289,500 or 27%. This finding confirms that target costing serves as an effective approach for controlling production costs and achieving desired profitability levels in MSMEs. The research contributes to both academic understanding and managerial practice by demonstrating how structured cost analysis, value engineering, and supplier optimization can enhance MSME profitability, particularly in businesses with under-managed cost structures. While the single-case design limits generalizability, it provides actionable insights for MSME owners lacking formal financial management systems. Future research should explore target costing across diverse MSME sectors and over extended periods to assess long-term effectiveness and integration with other management accounting methods such as activity-based costing and balanced scorecards.

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