

Cost-Benefit Analysis on MSMEs Soedja to Determine New Sales Channels

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Abstract— This paper is the result of the business coaching process based on Magister Management University of Indonesia's (MMUI) model carried out on Micro, Small, and Medium Enterprises (MSMEs) named Soedja, which is engaged in plant-based beverages. The purpose of this thesis is to analyze the cost and benefit of the new business sales channel. The data collected by conducting interviews and observations directly to MSME owner and employees then processed using analysis of segmenting, targeting, and positioning (STP), analysis of Business Model Canvas (BMC), marketing mix analysis, SWOT analysis, Porter's five forces analysis, in order to construct the gap analysis to know the urgency of the problem. The purpose of the cost and benefit analysis is so that Soedja can achieve sales target and has stable sales volume every month. In this study, the author using sales projections in various conditions (optimistic, moderate, or pessimistic) to know the possible combination in opening new selling points and combined with the addition of resellers to achieve the desired level of income by MSME owners.

Index Terms— Cost-Benefit analysis, Cost Structures, Food and Beverages, MSME, Online Drivers, Resellers, Sales Channels.

1 INTRODUCTION

Micro, Small and, Medium Enterprises (MSMEs) play a major role in the economy in Indonesia. MSMEs have a proportion of 99.99% of the total business in Indonesia or as much as 56.54 million units. The majority of small-scale businesses are not too dependent on large capital or loans from outside in foreign currency. So, when there are exchange rate fluctuations, large-scale companies that generally always deal with foreign currencies are the most vulnerable to crisis.

MSMEs is one of the primary contributor to national economic growth, so empowerment is needed to maximize the potential of MSMEs. MSMEs also play an important role as a forum for employment and driving economic growth. The magnitude of MSMEs in the employment rate of 97.30% is pivotal to reduce the unemployment rate in Indonesia.

The role of the food and beverage industry subsector in contributing to the GDP of the non-oil and gas industry was also the largest compared to other subsectors, reaching 33.63% in the first semester of 2017. In addition, the realization of investment in the food and beverage industry in the same period amounting to Rp21.6 trillion for domestic investment and USD1.18 billion for foreign investment.

Various efforts have been made by the Indonesian government to help empower the potential of MSMEs with various policies and programs. Although the government has attempted to improve the performance of MSMEs, it has not been proven to enhance the performance of national MSMEs compared to MSMEs in other countries and the proportion of contribution to GDP compared to large businesses. Therefore, efforts are needed to empower other parties, one of them by the universities by providing a direct and gradual understanding of science and empowerment. With the growth of several MSMEs industrial sectors, it is expected to fill the points that have not been reached by the government. The next challenge is how to improve the quality of MSMEs to be able to compete and have a competitive advantage.

Soedja is one of MSME who meet the Micro Business category in Business Coaching activity from MMUI. This business began to actively run its business in 2016 by a young man who has a management business background. Soedja is a vegetable milk drink business by using corn as the main ingredient. At the moment, Soedja operated on the Car Free Day (CFD) program in Jakarta, and also implemented an online order system, where products were ordered through the e-commerce platform or directly contacted, and immediately delivered after receiving its payment receipt. For almost a year by running this business, it shows considerable development in terms of business growth, production processes, and increasing numbers of resellers.

Seeing a good business development, the owner wants to expand his business and increasing the amount of income and expanding the market. Therefore, coaching is needed to find out what the owner should do to achieve his goals. Coaching towards Soedja is done by making a cost and benefit analysis to find out what methods can be used and fit for the business owner to achieve his goals.

2 FRAMEWORK

2.1 MSME Internal Analysis

MSME Profile
MSME Business Process
Business Model Canvas Analysis
Segmentation, Targeting, and Positioning (STP) Analysis
Marketing Mix Analysis

2.2 MSME External Analysis

Porter's Five Forces Analysis
Strengths, Weaknesses, Opportunities, dan Threats (SWOT) Analysis

2.3 MSME GAP Analysis

From the results of the gap analysis, it can be concluded that there are 5 common problems that occur in Soedja, namely:

- 1) Not maximizing the marketing channel
- 2) Not yet doing the right COGS calculation
- 3) Not utilizing the financial statements
- 4) Not maximizing Consumer awareness
- 5) There is no clear Separation of Jobs and Responsibilities

3 METHODOLOGY

In this Business Coaching, data collection will be carried out directly. The methodology will be discussed in terms of how to solve problems, data collection techniques, and methods used to analyze related data. This study uses a combination of qualitative and quantitative approaches. Qualitative approach because research produces descriptive data in the form of written or oral words from people and observed behavior. A qualitative approach is intended to understand social phenomena from the perspective of participants. In addition to the qualitative approach, a quantitative approach is needed to support the feasibility of solving problems. The quantitative approach is a study that uses statistical analysis and uses data in the form of numbers.

The analysis of qualitative and quantitative approaches will use descriptive methods. Descriptive method is research that describes existing phenomena, both naturally and man-made phenomenon. This method examines the status of objects, conditions, a group of people, systems of thought, or events at a certain time in order to make a description, a systematic, factual, and accurate description of the facts, as well as the relationship of the phenomenon under investigation.

In-Depth Interview

The first meeting was held in April 2018 at Bintaro Jaya with Soedja's owners. The content of this meeting is introduce the Business Coaching program and understands the Soedja's business condition. The second meeting until the seventh meeting is conducted on May to November 2018 with the owners. The topic of discussion for the second to seventh meeting is about the actual condition, short-term and long-term target, business process, production process, existing sales channel, and problem identification for Soedja. The next meeting is focused on implementation, which conducted on September to December. The implementation of new sales channel to increase the revenues generated by Soedja each months.

Observation

The coach observes the business on every aspects. The conditions in the field, the process of business activities, and the human resources. Coach ask any

questions related to business with the observed party to get better understandings about Soedja.

Internal Data

Internal data used in this study are organizational data, and financial data in 2018. The financial data consists of Soedja's expenses and revenues.

External Data

External data used in Business Coaching are books of management, marketing, finance, news and articles, and government regulations related to the MSMEs. Management, marketing, and finance books are used to provide the theoretical foundation will be used to analyze and solve problems.

The purpose of quantitative and qualitative research, among others, is to describe, discuss and explain the meaning or purpose of a pattern that arises from the results of interviews/data retrieval. In this quantitative and qualitative research there are three steps can be used to analyze data, namely:

- Data reduction

The author sorts the data by setting aside, emphasizing, or summarizing the research data.

- Data Display

The author develops a visual interpretation of the data into a diagram, graph, or matrix.

- Conclusion drawing and verification

The author considers the meaning of the data analyzed and assesses the research questions and objectives of Business Coaching.

4 FINDINGS

4.1 Business Model Canvas (BMC) Analysis

Based on the analysis of the canvas business model, Soedja has not yet reached its maximum consumer segment. This is because Soedja has not maximized the marketing channel that can be used to deliver information and market for its corn milk product. If the owner adds a new marketing channel, it can increase brand awareness and Soedja sales, and reach potential market segments. Soedja also has structured and complete financial data. Soedja's financial statements prepared are reliable reports to be used as a reference in decision making. Thus a cost-benefit analysis can be carried out using available data from Soedja's financial statements for the selection of the new Soedja sales channel to increase business revenues.

Another problem is the calculation of the cost component has not been fully entered in the calculation of production costs. Utility costs such as electricity and gas are still not included in the calculation. In addition, Soedja also has not included labor, transportation and telecommunications costs.

This causes the Cost of Goods Sold (COGS) calculated to be lower than the actual COGS. This error caused the margin calculation to be over estimate. Author found at present, due to the small scale of MSME sales, there has not been a significant impact to Soedja's business. However, this can be a quite fatal problem when Soedja has made into larger scale sales. These errors can lead to incorrect business decision.

4.2 Segmentation, Targeting, dan Positioning (STP) Analysis

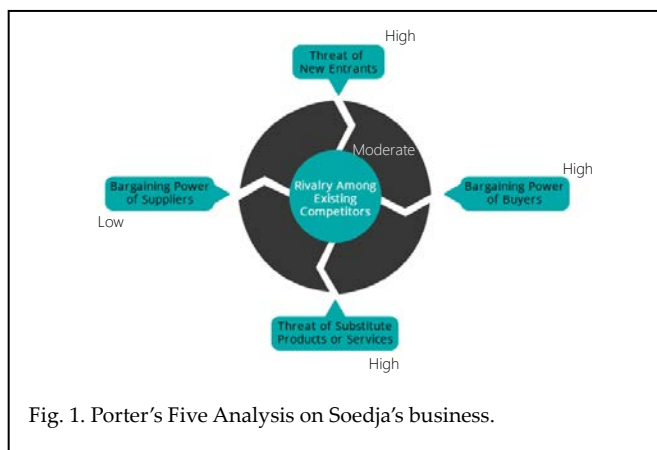
From the results of the STP analysis, it can be seen that Soedja still has a large market potential if it continues to maximize its marketing strategies, especially branding and selling. At the moment, the regional coverage of Soedja's product sales has not been optimal. Such as, South Tangerang and Jakarta regions are potential areas for selling. However, only a small part of the area on those regions used by Soedja to market their products. For example, at South Tangerang, they are only market their products on Bintaro area and furthermore, for Jakarta area, Soedja has only used market their products at South Jakarta, especially at Sudirman area. By increasing branding and sales channels, Soedja's revenue will increase along with the increasing number of product sales.

4.3 Marketing Mix Analysis

The supporting aspects to the marketing mix for segmentation and target markets, is to make sure the products have value as healthy and low-calorie drinks, where Soedja maintains the quality of natural-based products without mixing of hazardous ingredients such as artificial preservatives, artificial sweeteners, and food coloring. The selling price of the product is still competitive and is at an average price. The sales location is in the middle of the city and still easy to access. But the selling point of Soedja is still very limited. So, still there are many potential locations that Soedja has not yet covered. Whereas the obstacle of the marketing mix towards segmentation and market targets is in the marketing channel that has not been maximized. There are still many potential market targets who have not been informed about the existence of Soedja's product. In terms of price, the price set by Soedja is correct and there is no need to make drastic price adjustments.

4.4 Porter's Five Forces Analysis

Based on the results of competitive industry and environmental analysis using Porter's five forces, it was found that the threat of new entrants, consumer bargaining power, and the threat of substitute products are high.



Therefore, it can be concluded the industry Soedja is involved, has a moderate to low appeal. Soedja needs to expand its marketing, so Soedja's brand would better known by public which ultimately improve Soedja's business performance in the industry.

4.5 Strengths, Weaknesses, Opportunities, dan Threats (SWOT) Analysis

Based on the TOWS Matrix from SWOT analysis, it can be concluded that Soedja has several advantages and also opportunities that can be utilized by MSMEs to overcome existing weaknesses and threats. Judging from the results of the TOWS analysis, the strategy taken is to create a new marketing channel. At the moment, Soedja only has a few marketing channel, which only utilize CFD sales and only has 1 (one) selling point at the CFD. Therefore, it is necessary to add new marketing channels.

The addition of marketing channels can be determined by the Cost-benefit analysis method. The Cost-benefit analysis aims to enable Soedja to determine the most effective marketing channel among other channels. Before conducting a Cost-benefit analysis, Author finds the recording of MSME financial statements needs to be corrected. The COGS still do not contain some important components in the calculation.

Furthermore, the strategy is to add new marketing channels and identify which the most effective marketing channels to be implemented in MSMEs by using Cost-benefit analysis.

5 CONCLUSION

Based on the analysis of the Soedja's condition and the result of business coaching activities, it is concluded if the main problems that can be helped to improved, includes:

- 1) Lack of marketing channels, especially offline or direct purchases.
- 2) Determining the most appropriate and effective new marketing channel to increase Soedja's profits.

The Author found utterly fatal error in the calculation of Soedja's COGS. The owner has not included the cost components such as utility costs, transportation costs, credit fees, and labor costs in calculating the COGS of the products produced. This causes the resulting margin calculation to be higher than the actual condition. After educating the owners, Soedja's current financial statements are correct. By its way the financial statements can be used as a condition for filing a capital loan or for future business decision making. In the actual COGS

No.	Item	Measures	Price	Total Price
Corn Milk (154 Pcs)				
1	Sweet Corn Chip	9 kg	Rp 20,000	Rp 180,000
2	Empty Bottle	154 pcs	Rp 1,000	Rp 154,000
3	Stickers	154 pcs	Rp 168	Rp 25,872
4	Creamer	200 g	Rp 28,000	Rp 12,444
5	Condensed Milk	1110 g	Rp 26,331	Rp 26,331
7	Pandan Leaf	1 ketet	Rp 2,500	Rp 2,500
8	Water	18 l	Rp 1,000	Rp 18,000
9	Utility cost		Rp 70,446	Rp 70,445.53
10	Transportation Cost		Rp 37,500	Rp 37,500.00
11	Telephone and Mobile data Cost		Rp 25,000	Rp 25,000.00
12	Labor Cost	154 pcs	Rp 1,000	Rp 154,000
			Total	Rp 706,093
			Cost per Bottle	Rp 4,585.02
			Sales Price	Rp 10,000
			Profit Margin	54%

Fig. 2. The COGS of a Product

calculation, the author has carried out the business coaching process.

5.1 CFD Sales Channel

The new point of sale on the CFD has been carried out. At the present, Soedja has begun to run the proposal and open a new CFDs selling point. Until now, Soedja is still trying to find a new strategic location. In addition to adding marketing channels by opening new selling point, the level of public awareness of the existence of Soedja's product will also increase simultaneously with escalation of product circulation in the area.

	Low Sales	Normal Sales	High Sales
Monthly Revenues	Rp 1,472,000.00	Rp 1,911,333.33	Rp 2,396,000.00
Monthly Expenses	Rp 940,242.78	Rp 1,141,983.63	Rp 1,362,064.55
Profit	Rp 531,757.22	Rp 769,349.71	Rp 1,033,935.45
Profit Margin	36%	40%	43%

Fig. 3. CFD Sales Estimation

5.2 Resellers Online Drivers Sales Channel

After calculation and consideration to determine the most appropriate and effective new sales channel to increase Soedja's profit, namely the online driver reseller was chosen. The online driver reseller sales channel was chosen with consideration of the quantity of sales will increase much higher when compared to conventional reseller sales. For an online driver reseller system it is estimated that in a day the online reseller driver will be able to sell 6 bottles. For the working period of the reseller, it uses an assumption of 5 working days a week. So that the total monthly sales that can be generated from online driver resellers is up to 120 bottles. As for the conventional reseller sales average obtained from financial data, Soedja's existing, conventional resellers only achieved the sales of up to 35 bottles each month. The achievement of the implementation of online driver resellers are as follows: the owner is still looking for potential online driver resellers who are willing to cooperate with Soedja. The owner's achievement in implementing online driver resellers sales channel is still in the searching stage for online drivers and understanding the online drivers conditions.

Number of Online Drivers	Revenue	Set-up Cost	COGS	Profit	Monthly Profit (20 working days)
6					
1	Rp 48,000	Rp 25,000	Rp 27,510.12	Rp 20,489.88	Rp 384,797.68
2	Rp 96,000	Rp 50,000	Rp 55,020.23	Rp 40,979.77	Rp 769,595.37
5	Rp 240,000	Rp 125,000	Rp 137,550.58	Rp 102,449.42	Rp 1,923,988.42
10	Rp 480,000	Rp 250,000	Rp 275,101.16	Rp 204,898.84	Rp 3,847,976.85

Fig. 4. Online Driver Resellers Sales Estimation

5.3 Follow-up

Due to limited business coaching time, Soedja needs to follow-up to the next person who will take the next Business Coaching program to improve Soedja's performance, including:

- Conduct marketing channel analysis from other aspects such as marketing aspects. The author uses the Cost-benefit approach in determining the marketing channel that is implemented in MSMEs because the author is a student majoring in finance. Therefore, the authors have limited knowledge, especially in the supply side.
- Solve problems identified by the Author and have not been conducted. Such as, the separation of a clear workload and calculation of wages for each workload.

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