International Conference on Sustainable Economics, Management, and Accounting (ICSEMA 2025)
Community Service Proceedings
Vol. 01 No.01 Year 2025, Page 109-113

PRODUCT COSTING MODELS AND PRICING STRATEGIES FOR MICRO-ROASTERIES AND COFFEE SHOPS (SMES) IN LABUAN BAJO

Christina Tri Setyorini
Universitas Jenderal Soedirman,
Purwokerto, Indonesia
christina.setyorini@unsoed.ac.id

Ilma Dhiyaulhayi Al-Lust
Universitas Jenderal Soedirman,
Purwokerto, Indonesia
ilma.dhiyaulhayi@mhs.unsoed.ac.id

Eliada Herwiyanti
Universitas Jenderal Soedirman,
Purwokerto, Indonesia
eliada.herwiyanti@unsoed.ac.id

Linatul Uyun
Universitas Jenderal Soedirman,
Purwokerto, Indonesia
linatul.uyun@mhs.unsoed.ac.id

Abstract

This community engagement initiative was designed to enhance the financial literacy of micro-roasteries and coffee shops (UMKM) in Labuan Bajo, focusing on product costing and pricing strategies. The rapid growth of tourism in Labuan Bajo has spurred a competitive coffee shop market, yet many UMKMs struggle with sustainable profitability. The target audience included 25 owners and managers of local coffee shops and micro-roasteries. The implementation methods involved participatory workshops, one-on-one "costing clinics," and the development of simplified costing templates (e.g., calculating Cost of Goods Sold per cup). The results indicate a significant improvement in participants' ability to calculate product costs accurately, differentiate between fixed and variable costs, and implement data-driven pricing strategies rather than relying solely on competitor pricing. This program produced a practical costing module tailored for F&B micro-businesses and underscores the necessity of financial management skills for UMKM sustainability in high-tourism zones.

Keywords: *Community Engagement, Product Costing, Pricing Strategy, Coffee Shops, UMKM, Labuan Bajo*

INTRODUCTION

Labuan Bajo, designated as a "Super Priority Tourism Destination" (DPSP) by the Indonesian government, has experienced an exponential increase in tourist arrivals. This boom has catalyzed rapid growth in the food and beverage (F&B) sector, particularly among micro-roasteries and coffee shops. These micro, small, and medium enterprises (UMKMs) are critical to the local economy, creating jobs and enhancing the destination's appeal by leveraging local coffee products, such as the renowned Flores coffee. This growth presents a significant economic opportunity for the local community.

Despite this vibrant growth, many coffee UMKMs face a critical challenge: a lack of financial literacy, specifically in product costing and pricing (Zulfikri, 2022). Many owners set prices based on intuition or by merely imitating competitors, without an accurate understanding of their own Cost of Goods Sold (COGS). This often leads to unsustainable profit margins, vulnerability to fluctuations in raw material prices (e.g., green coffee beans), and, ultimately, business failure. This "price war" environment benefits no one and hinders the development of a resilient local F&B ecosystem.

The F&B sector, particularly coffee, involves complex cost structures that are often misunderstood by micro-entrepreneurs. Beyond the obvious direct costs of coffee beans and milk, accurate costing must account for variable overhead (e.g., paper cups, grinder electricity) and fixed overhead (e.g., rent, Wi-Fi, depreciation of expensive espresso machines). Standard managerial accounting principles dictate that failing to allocate these costs properly leads to flawed pricing decisions (Sebayang et al., 2025). For micro-roasteries, this is even more complex, involving calculations for roasting shrinkage (weight loss), packaging, and specialized labor, making them particularly vulnerable to pricing errors.

This community engagement program (Community Social Responsibility) was therefore designed to bridge this critical knowledge gap. The objective was not merely to present academic theory, but to provide direct, hands-on assistance tailored to Labuan Bajo's coffee UMKMs. By translating complex accounting principles into simple, actionable tools, this program aimed to empower entrepreneurs with the skills to calculate costs accurately, set profitable prices, and ultimately enhance their business sustainability. This approach aligns with research showing that direct, contextual knowledge transfer is highly effective for adult learners and entrepreneurs.

METHOD

The implementation of this community engagement program was structured into four distinct stages, using a participatory, hands-on approach tailored to adult learners and business practitioners.

1. Target Audience and Location

   The activity was conducted in Labuan Bajo, Kabupaten Manggarai Barat. The target audience consisted of 25 participants, including owners, managers, and baristas with financial responsibilities from local coffee shops and micro-roasteries. Participants were recruited in collaboration with the local UMKM association and the Department of Tourism.

2. Module and Material Development

The core material was a practical module titled "Simple Costing for Coffee Shops," developed in Bahasa Indonesia. Materials included:

a. Presentations on cost concepts (Fixed vs. Variable, Direct vs. Indirect).
b. Simplified Excel and printable templates for calculating the COGS (HPP) of one cup of coffee (factoring in beans, milk, cup, sugar, labor, and overhead).
c. Case studies on pricing strategies (Cost-Plus Pricing, Value-Based Pricing, Competitor-Based Pricing) relevant to a tourism context.
d. Checklists for identifying all hidden business operational costs (electricity, water, and recycling costs)

3. Implementation Stages

The program was executed over two days, followed by a one-month mentoring period:

a. Day 1: Interactive Workshop. This session involved socialization and presentation of the core concepts. Interactive discussions were used to identify familiar costing errors participants were making. A pre-test was administered.
b. Day 2: Costing Clinic. This was the core of the engagement. Participants brought their own sales and cost data (e.g., purchase receipts, electricity bills). The team provided intensive, one-on-one assistance, guiding them through the costing templates for their top-selling products.
c. Follow-up: A WhatsApp group was created for one month of post-workshop consultation, allowing participants to ask follow-up questions as they implemented the system in their businesses.

4. Evaluation

Program effectiveness was evaluated through:

a. Pre-test and Post-test: A short questionnaire with 10 questions to measure the increase in knowledge regarding costing principles and price-setting.
b. Template Analysis: A practical assessment of the participants' ability to correctly and independently complete the COGS template by the end of the clinic.
c. Feedback Questionnaire: A qualitative survey on the relevance, clarity, and applicability of the materials and the mentorship method.

RESULT AND DISCUSSION

The pre-test results confirmed the initial hypothesis and underscored the program's urgency. While 90% of participants (22 participants) could correctly state their total monthly expenses (e.g., rent and salary), only 16% (4 participants) could correctly differentiate and allocate variable costs (e.g., milk and cups) from fixed costs (e.g., rent and Wi-Fi) to a single product. Notably, 0% of participants had a structured, documentable method for calculating the COGS of one cup of coffee; most admitted to "kira-kira" (estimation) or simply copying the prices of more established competitors. This finding aligns with research by (Azhari & Animah, 2025), which indicates that this lack of costing knowledge is a primary barrier to UMKM scalability.

Following the interactive workshop and the intensive "costing clinic," the post-test and template analysis showed significant improvement. 88% of participants (22) completed the COGS template for their main product (e.g., "Cappuccino 8oz"), a dramatic increase from the 16% who understood the concept at the start. During the discussion, several participants expressed genuine shock upon discovering they had been unknowingly selling certain items at very low margins or even at a loss. This intervention forced a critical re-evaluation of their menu pricing and sourcing strategies. The hands-on clinic approach, as supported by adult learning theories (Knowles et al., 2014), proved far more effective than a traditional lecture, as participants applied concepts to their own real-world data, leading to tangible "aha" moments.

A key qualitative finding was the psychological barrier to "paying yourself." Over 80% of owners did not include their own salaries or labor hours as business costs, viewing them instead as "taking the profits." The one-on-one clinic provided a confidential space to discuss this, reframing the owner's salary as a legitimate operational cost, which is essential for determining true profitability and for scaling the business beyond a single-person operation. The simplified Excel template, which had a specific line item for Owner/Management Salary, was instrumental in normalizing this concept.

However, the program also identified significant challenges. The primary challenge is the sustainability of this new knowledge. Many participants still rely on paper receipts and memory for their bookkeeping, making consistent cost tracking difficult. This points to a deeper issue of low digitalization among UMKMs (OECD, 2021). Secondly, while participants now understood their costs, they expressed intense fear and hesitation in raising their prices to profitable levels. They were concerned about losing customers to cheaper competitors, indicating that accurate costing is only the first step. The necessary follow-up is training in marketing, value communication, and service differentiation to justify a higher, value-based price.

Conclusion

This community engagement program successfully enhanced the financial literacy of UMKMs at coffee shops and micro-roasteries in Labuan Bajo. The primary objective, equipping owners with the practical skills to accurately calculate product costs and implement strategic pricing, was achieved. The significant shift in understanding, evidenced by the pre-test/post-test results (a 72-point increase in comprehension and application), demonstrates the profound effectiveness of the hands-on "costing clinic" method over traditional lecture-based training. Participants are now better positioned to manage their finances, ensure sustainable profitability, and make data-driven decisions in a highly competitive tourism market.

The central finding of this service is that the intervention method itself—a sector-specific, hands-on "clinic" model—is a key output. The development of a simplified, targeted costing template for coffee shops proved to be a critical success factor. It made abstract accounting concepts tangible and immediately applicable for entrepreneurs who often lack formal financial training. The one-on-one mentorship was vital for building trust and addressing the specific, and frequently confidential, economic realities of each business, a nuance that group lectures cannot capture.

It is essential to acknowledge the limitations of this program. The intervention was short-term, conducted over two days with a one-month virtual follow-up. The sample size of 25 participants, while deeply engaged, is small and represents only a fraction of the F&B UMKMs in Labuan Bajo. Therefore, the results cannot be generalized. Furthermore, this program measured the acquisition of knowledge and skills, but it did not and could not measure the long-term impact on business profitability or survival. Future engagement should include longitudinal studies to track the application of these skills over time.

Ultimately, this program highlights a critical and scalable strategy for empowering local economies in priority tourism destinations. As Indonesia pushes for the development of DPSP, there is a risk that economic benefits will be captured by large, external chains, leaving local UMKMs behind. This model of targeted, university-led community engagement provides a practical, on-the-ground strategy to build local capacity. It ensures that local entrepreneurs are not just participants but competitive, profitable beneficiaries of tourism growth, directly supporting national goals for financial inclusion and a resilient UMKM ecosystem (OJK, 2022).

REFERENCES

Azhari, F., & Animah, A. (2025). Pengaruh Literasi Keuangan Dan Strategi Penetapan Harga Terhadap Kinerja Keuangan Pada UMKM Di Lombok Tengah. *JPEK (Jurnal Pendidikan Ekonomi Dan Kewirausahaan)*, *9*(2), 725–736.

Knowles, M., Holton III, E., & Swanson, R. (2014). *The Adult Learner: The Definitive Classic in Adult Education and Human Resource Development*. Routledge.

OECD. (2021). The Digital Transformation of SMEs. *OECD Studies on SMEs and Entrepreneurship*. https://doi.org/10.1787/bdb9256a-en

OJK. (2022). *Survei Nasional Literasi dan Inklusi Keuangan Tahun 2022*. Otoritas Jasa Keuangan.

Sebayang, M., Pane, A., & Ananda, R. (2025). *Management Accounting: Strategies In Planning And Control*. Mind Power Publishing.

Zulfikri, A. (2022). *Strategi Pengembangan UMKM Industri Kuliner Berbasis Masyarakat Di Kawasan Wisata Pantai Ujung Genteng Kabupaten Sukabumi*.