

COST STRUCTURE MANAGEMENT OF BUKO PANDAN MICRO ENTERPRISES IN MEDAN

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Abstract: *This research examines cost structure management as a strategic driver for achieving efficiency and sustainable profitability within Buko Pandan Creamy micro-enterprises. The study utilizes a descriptive qualitative approach with a multiple case study design, focusing on micro-business owners in Medan. Primary data were gathered through direct observation and structured interviews with Buko Pandan entrepreneurs. This descriptive method was selected to provide a detailed and systematic overview of cost management practices and their subsequent impact on profitability. The findings reveal that the cost structure of these micro-enterprises is heavily dominated by variable costs, with Direct Raw Material Costs identified as the primary risk component. This study provides a granular analysis of cost structures within the culinary MSME sector in regional markets. Furthermore, it proposes an evidence-based cost structure management model that offers relevant and practical recommendations for micro-entrepreneurs transitioning toward sustainable profitability.*

Keywords: *Cost Structure, Profitability, Micro-Enterprises*

Introduction

Medan City is known for its dynamic culinary scene, where Buko Pandan products, particularly the Buko Pandan Creamy variant, have experienced a substantial increase in demand. The characteristics of this MICRO-enterprise involve limited capital, high dependence on seasonal raw materials (young coconut), and fluctuating premium input price variables (cream/cheese). Therefore, the ability of Buko Pandan Creamy MICRO-entrepreneurs to design, implement, and control their cost structures significantly determines their sustainable profitability amidst fierce market competition.

Previous studies regarding cost management in MSMEs have yielded diverse findings. In general, research indicates that MSMEs that implement accurate cost calculation systems tend to have better financial performance. There is no published research that specifically investigates how the combination of creamy and premium raw material costs interacts with seasonal labor costs and low overhead costs in Buko Pandan Creamy Micro-Enterprises in Medan.

The majority of cost structure management research focuses on manufacturing or service MSMEs, while Buko Pandan Creamy Micro-Enterprises, which operate with fast production

cycles, thin margins, and high-turnover business models in Medan, are not yet represented. Existing literature has not holistically linked efficient cost structure management with sustainable profitability indicators. Thus, this study aims to provide a detailed analysis of the prevailing cost structure and recommend the most suitable cost management model. This research focuses exclusively on Micro-Enterprises selling Buko Pandan Creamy products within the context of the hyper-competitive culinary market of Medan City. The methodological novelty lies in the use of the Fixed-Variable Cost Ratio Analysis approach combined with the concept of Operating Leverage to assess profit sensitivity to changes in sales volume. The provision of a cost structure management recommendation model aims not only for temporary efficiency but also for sustainable profitability, measured by the business's ability to minimize cost risks.

Literature Review

Cost Structure Management refers to the process of planning and controlling the balance between fixed costs and variable costs to achieve optimal operations (Maryam, et al 2025). In the context of Buko Pandan Creamy, Cost Structure Management must focus on the efficiency of raw material costs. This efficiency must be linked to the concept of Sustainable Profitability, which is measured not only by current profit margins but also by the business's ability to withstand fluctuations in premium raw material prices for future investment.

Previous research consistently shows that the implementation of cost management systems improves the operational efficiency of MSMEs. This indicates that the first step toward efficiency is accountability and proper cost classification (Dwi Putri et al., 2025). Specifically regarding profitability, the cost structure of Buko Pandan Creamy, which is suspected to have low fixed costs, provides a better margin of safety when sales volumes fluctuate (lower risk), but limits the potential for explosive profit increases.

Studies in large cities like Medan highlight that overhead costs (rent and distribution) tend to be higher. For the contemporary food and dessert sector, consumers are highly sensitive to price and quality. This means Cost Structure Management in Buko Pandan Creamy must ensure the quality of premium raw materials (increasing variable costs) without pushing the selling price to an uncompetitive level (M, 2024). The sustainability aspect of profitability is often discussed through continuous Cost Reduction strategies, rather than mere temporary cost-cutting. Successful cost structure management strategies involve mass raw material price negotiations, recipe standardization, and investment in simple automation processes that can transform some variable costs (labor) into more easily controlled fixed costs (equipment depreciation).

Method

This research adopts a descriptive qualitative research approach because its primary goal is to gain an in-depth understanding of why and how cost structure management decisions are made and implemented by Buko Pandan Creamy Micro-Enterprise owners (Fauziah Ramadhani et al., 2025). The qualitative approach is crucial for uncovering the complexities of implicit costs and opportunity costs often overlooked in simple MSME financial statements, thereby producing rich and managerially relevant findings.

The data analysis approach used is Descriptive Thematic Analysis adapted from Miles, Huberman, and Saldana (Raj Sharma L et al., 2023). The main stages include: (1) Data Reduction: Selection, focusing, and simplification of raw data from interview transcripts, focusing on cost categories (fixed and variable), the reasons behind cost allocation, and efficiency strategies. (2) Data Display: Reduced data is then organized into matrices or thematic networks, visualizing the relationship between cost types and management practices. (3)

Conclusion Drawing and Verification: The researcher formulates initial conclusions which are validated by comparing findings from various sources and research subjects (triangulation).

Research Subjects were selected using a purposive sampling technique with a multiple case study design. The main subjects of this study are Buko Pandan Creamy business owners in Medan who have significant differences in profitability levels (one successful business and one business facing sustainability challenges) (Azahra N et al., 2023).

Data collection was carried out through two main techniques: (1) In-depth Interview: Conducted with Buko Pandan Creamy business owners. Questions focused on costs incurred within the MSME operational environment, including the classification of fixed costs and variable costs (young coconut, cream, cheese, sugar). (2) Non-Active Participatory Observation: The researcher directly observed the production process, raw material purchasing, waste handling, and daily workflow. This observation is important to verify verbal data and record operational costs that are not formally recorded (Maryam et al., 2025).

Result and Discussion

The implementation of cost management in Buko Pandan Creamy Micro-Enterprises in Medan is found to be within an informal to semi-formal spectrum. Buko Pandan Creamy Micro-Enterprise owners in Medan who demonstrate consistent profitability implicitly apply usable yield management. Although they do not record it formally, they mentally know the portion of Buko Pandan Creamy that should be produced from one sack of young coconuts or one can of cream. This implementation is manifested through strict standardization of measurements (standard recipes).

Implementation of management on input prices is highly reactive. When the price of young coconuts surges, most Micro-entrepreneurs are reluctant to increase selling prices for fear of losing customers (high price elasticity) (Susan Octiva C et al., 2024). Instead of raising prices, cost management chooses to reduce premium portions, decreasing the amount of cream or toppings that are not significantly perceived by customers thereby maintaining the unit cost and searching for alternative suppliers by conducting daily scouting to obtain the best prices.

Implementation of management on fixed costs tends to be passive. The largest cost here is stall rent. Management is carried out through rigid annual lease contract negotiations. Because fixed costs are already very low, Micro-business owners generally do not focus their management efforts here, consistent with general findings in studies of Micro-scale MSMEs. Cost management implementation in Buko Pandan Creamy Micro-Enterprises is survival-oriented, where management focus shifts entirely to physical control and input price negotiations (variable costs) rather than long-term strategic cost planning (Hariyati, 2011). Descriptive qualitative analysis, combined with managerial accounting theoretical frameworks, shows how this cost structure affects business performance.

A low BEP (Break-Even Point) provides low initial risk for newcomers and a fast margin of safety. Business owners can quickly determine whether their daily operations are profitable. The greatest challenge lies in variable cost efficiency. If the business owner fails to implement strict portion management, unit variable costs can soar, causing the contribution margin to decline drastically. In the context of Buko Pandan Creamy Micro-Enterprises, the break-even point can shift significantly upward not because of rent increases, but due to inefficiency in the use of cream and coconuts. (Maryam et al., 2025) Analysis shows that Buko Pandan Creamy businesses operate with Low Operating Leverage (DOL). A low DOL produces stable profits that move linearly with sales volume. This is the greatest advantage for sustainable profitability because the business has high resilience against sudden drops in market demand (for example, during the rainy season or an economic crisis). The risk of rapid large losses (operational risk) is minimal.

Based on descriptive findings and impact analysis, this research formulates three cost structure management implementation strategies proven to provide benefits and support sustainable profitability (Azahra N et al., 2023). To overcome the limitations of low operating leverage, MSMEs must implement strategies to selectively and measurably convert variable costs into fixed costs; for example, investing small capital in Key Fixed Assets (KFA), such as larger commercial refrigerators/freezers or automatic cup sealing machines. Larger refrigerators allow for bulk raw material purchases and reduce the risk of spoilage. The incurred depreciation cost (new fixed cost) is smaller than the savings gained from variable cost efficiency and quantity discounts. Increasing these fixed costs will mathematically increase their Degree of Operating Leverage (DOL) incrementally. This controlled increase in DOL unlocks the potential for slightly faster profit growth when sales rise, while keeping operational risk at a reasonable level (N, 2023).

The biggest challenge faced by almost all respondents is the inability to separate personal costs from business costs (Lack of Accountability); for example, owners should implement a Dual Cost Classification System (cost separation) and periodically perform simple What-If Analyses. This What-If Analysis transforms cost structure management from a mere reaction into a strategic planning tool, which is vital for pricing and investment decision-making (Fahriani D et al., 2024). Although this strategy provides significant benefits, its implementation faces specific MSME challenges; for example, business owners often juggle multiple roles (buyer, mixer, seller, accountant). Time to perform consistent cost recording or calculate raw material yields becomes very limited. This HR limitation is the main obstacle in implementing the formalization of cost structure management (Accountability Challenge). The majority of Buko Pandan Creamy businesses still operate based on trust and oral systems. The transition toward formal SRC, COGS (HPP) recording, and operating leverage analysis is considered unimportant. Changing this informal business culture requires intensive training and socialization (S, 2018).

Although investment in Key Fixed Assets (KFA) such as large refrigerators is proven profitable in the long run, the initial capital for this investment is often unavailable or considered too risky by Micro-business owners. Overall, the implementation of cost structure management in Buko Pandan Creamy Micro-Enterprises in Medan today is a reflection of their cost structure: heavily centered on variable cost control and oriented toward low-risk stability (Mardiana et al., 2025). To improve efficiency and achieve sustainable profitability, management must evolve from reactive to proactive, by internalizing Standard Recipe Cards (SRC) for raw material control and making strategic fixed investments for measured increases in operating leverage.



Figure 1: Buko Pandan Product

Conclusion

Qualitative research on Cost Structure Management in Buko Pandan Micro-Enterprises in Medan reveals that efficiency and sustainable profitability are primarily determined by the management of variable costs. The cost composition of these MSMEs shows a very high dominance of variable costs, mainly driven by Direct Raw Material Costs (DRM) such as young coconut and premium ingredients. This variable-dominated cost structure results in low operating leverage, which, while limiting the potential for explosive profit growth, provides a high margin of safety regarding operational risk a crucial factor for the sustainability of micro-enterprises in a volatile culinary market (N, 2023).

The most effective cost structure management strategy for sustainable profitability is a hybrid strategy, focusing on optimizing variable costs through recipe formalization and waste control, while implementing selective increases in fixed costs (e.g., investment in freezers or sealing machines) to stabilize and reduce unit variable costs in the long run. Thus, the success of Buko Pandan MSMEs lies in proactive raw material risk management rather than mere overhead (fixed cost) reduction (Hariyati, 2011).

This research provides significant contributions, both theoretically and practically. Theoretically, this study enriches the literature on Cost Structure Management by applying the Fixed-Variable Cost Ratio and Operating Leverage analytical frameworks to the unique context of product-specific (niche) culinary MSMEs in Indonesia (Buko Pandan in Medan). The findings regarding the characteristics of low operating leverage as a pillar of operational stability in micro-enterprises can serve as a basis for developing cost risk management theories that are more relevant to the MSME sector (D, 2025).

Practically, this research produces an evidence-based cost structure management recommendation model that can be directly implemented by Buko Pandan Micro-Enterprise owners and similar businesses. Recommendations for recipe formalization (Standard Recipe Cards) and strategic small-scale capital investment offer concrete guidance for business owners to transition from estimated cost accounting to a systematic cost control system, thereby increasing efficiency and ensuring profitability that is not only temporary but also sustainable (Azahra N et al., 2023).

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