

PRODUCT-BASED FINANCIAL INTEGRATION TO OPTIMIZE BUSINESS PROFITABILITY AND SUSTAINABILITY

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ABSTRACT

This training aims to provide practical knowledge and skills to MSME actors in Tangerang City in effective financial planning and proper product pricing. The main focus of the training includes improving understanding of pricing and cost determination, the concept of contribution per product/customer, financial evaluation skills, as well as enhancing the sustainability and competitiveness of MSMEs.

Keywords: MSME Finance, MSME Sustainability, Product Contribution

1. INTRODUCTION

Many Micro, Small, and Medium Enterprises (MSMEs) in Tangerang City are experiencing limited profitability despite having initiated their business activities. These enterprises, often in the early stages of development, encounter challenges not due to a lack of operational effort, but because of weak financial planning and a limited understanding of cost management. Business owners tend to focus heavily on production processes while overlooking key financial aspects such as accurate pricing strategies, comprehensive cost analysis, and post-sales financial evaluation.

A common issue lies in how these MSMEs set their selling prices. Rather than basing prices on production costs and desired profit margins, many simply follow prevailing market rates. This often results in earnings that are insufficient to generate meaningful profit, as revenues may only cover operational expenses. In addition, there is a widespread lack of understanding regarding full cost structures. Business decisions are frequently made using rough cost approximations, without a clear distinction between fixed and variable costs, leading to financial planning that is neither structured nor effective.

Moreover, the concept of evaluating profitability per product or customer is largely absent among these business actors. Without understanding contribution margins, MSMEs struggle to identify which products or sales segments truly drive profit. This absence of financial insight prevents them from optimizing their offerings or refining their business models based on data.

Consequently, many MSMEs continue to operate with low financial resilience. Their pricing and sales strategies are reactive rather than deliberate, and business evaluations are guided more by habit than by systematic analysis. This limits their capacity to grow and undermines the long-term sustainability of their operations.

Given the significant role of MSMEs in Indonesia's economy—comprising over 63 million enterprises and representing 99 percent of the total business population (Nasution and Noor, 2023)—this situation calls for focused support. The seminar discussed in this study aims to address these issues by equipping MSME actors with essential financial management skills and exposing them to relevant government policies that promote competitiveness and self-reliance (Riswan and Salim, 2023).

2. METHOD

This program employed a structured intervention aimed at improving operational efficiency and financial performance among MSME partners through a series of analytical and strategic steps in production and marketing domains. To address challenges in operational management, the initial phase involved a comprehensive evaluation of the enterprises' current workflows to identify inefficiencies and propose adjustments that could enhance overall production capacity. A detailed assessment of fixed and variable costs was carried out to provide clearer insights into product-level profitability and to determine potential areas for cost reduction.

The first stage of this process utilized a Cost-Volume-Profit (CVP) analysis, focusing on the core products offered by the businesses. This analysis examined sales volumes, variable costs, and fixed overheads to calculate the contribution margin of each product. The findings were used to evaluate the existing product mix and make recommendations for improving profitability—either by phasing out low-margin products or increasing the focus on high-margin items.

Following this, a value analysis was implemented to reduce production costs without compromising product quality. This involved identifying opportunities to standardize components, substitute non-essential elements with more affordable alternatives, or simplify production processes. A Pareto analysis was used to target cost control efforts on the most significant expense categories, such as materials and labor. Additionally, product range rationalization was undertaken to evaluate items experiencing declining demand. This step aimed to eliminate slow-moving products and introduce higher-margin replacements, while optimizing the allocation of fixed costs across the remaining product lines to ensure continued profitability.

In the area of marketing, the strategy focused on increasing customer-level profitability while minimizing distribution and promotional expenditures. The first step in this domain involved conducting a Direct Product Profitability (DPP) analysis. This examined all distribution-related costs—including warehousing, transportation, and promotional expenses—across different customer and product segments to identify the most profitable combinations. Subsequently, a Customer Account Profitability (CAP) analysis was performed to assess each customer's overall contribution to profit. This included both direct costs (e.g., delivery and servicing) and indirect costs (e.g., sales visits and special promotional efforts). Based on these insights, marketing and sales strategies were tailored to focus on high-value clients, while reevaluating approaches to less profitable customer accounts to optimize cost-effectiveness without sacrificing customer satisfaction.

Lastly, the team implemented strategies to optimize the marketing mix. This involved aligning promotional activities, packaging, and sales incentives with the most profitable products and customer segments, with the goal of increasing product visibility and sales volume. Simplifying product assortments in collaboration with retail partners also helped reduce inventory and storage costs, improving margin control and operational efficiency.

The intervention process followed a sequential structure: Product identification → Cost and pricing determination (via contribution margin analysis) → Sales simulation and break-even analysis (via CVP) → Simple financial statement evaluation → Final recommendations on product focus and business strategy.

3. RESULTS AND DISCUSSION

The community service program was implemented during the even semester of the 2024/2025 academic year in collaboration with the Department of Industry, Trade, Cooperatives, and MSMEs of Tangerang City. With the theme “Product-Based Financial Integration to Optimize Business Profitability and Sustainability”, the initiative focused on equipping MSME participants with practical skills in cost and pricing analysis, product-level profitability assessment, and basic financial reporting. The aim was to strengthen financial decision-making and promote sustainable business practices. Prior to the program, most participating MSMEs did not utilize proper cost calculation methods. Pricing decisions were generally based on prevailing market norms, without sufficient regard to internal cost structures or profit margins. Throughout the training, participants were introduced to key concepts such as Contribution Margin Analysis and Cost-Volume-Profit (CVP) Analysis, alongside guided practice in preparing simplified income statements. These tools enabled them to better understand their cost structures and evaluate the financial viability of their business activities.



Figure 1. Workshop process

The results showed a marked improvement in participants' understanding of both fixed and variable costs, as well as the ability to calculate break-even points and analyze product or customer profitability. Several MSMEs that had previously not distinguished between cost categories were, by the end of the program, capable of developing basic financial statements to support ongoing business evaluations and planning. This shift in capability reflects a foundational transformation in how participating MSMEs approach financial management.

The program also provided significant experiential learning opportunities for university students involved in the field activities. These students supported data collection, assisted in pricing simulations, and documented the implementation process. Their contributions were formally recognized and documented for academic credit (SKPI), thereby aligning the activity with Key Performance Indicator 3 (IKU-3), which emphasizes faculty and student involvement beyond the university setting. Partner participation played a crucial role in ensuring the success and relevance of the program. From the outset, MSME partners were engaged in problem identification through collaborative discussions with the facilitation team. This participatory approach allowed for a grounded understanding of the operational and financial challenges faced in the field. As solutions were implemented, partners continued to be actively involved in monitoring progress, applying recommendations, and evaluating the effectiveness of the interventions. Feedback loops were established to support iterative improvement, and mechanisms for continuity—such as follow-up training and internal capacity building—were discussed to ensure the sustainability of outcomes beyond the program period. In terms of team roles, the program was coordinated by a designated team leader responsible for overseeing all stages of implementation and reporting. Students were assigned roles according to their competencies, contributing to data gathering, analysis, report writing, and field execution.

Overall, the program successfully addressed the primary challenges faced by partner MSMEs by enhancing their financial literacy, introducing analytical tools for profitability assessment, and fostering a data-driven mindset in business decision-making. It not only improved the micro-level financial structure of the enterprises involved but also laid the groundwork for more sustainable and resilient business practices moving forward.

Table 1. Questionnaire Result

Question	Very Good	Good	Fair	Poor
The implementation team demonstrated strong competence in delivering the program materials.	23	15	0	0
The implementation team presented the community service program in an engaging manner.	22	15	1	0
The community was enthusiastic in participating in the program activities.	21	16	1	0
The community clearly felt the benefits of the community service program.	23	15	0	0
The community showed great interest and enthusiasm toward the program activities.	26	12	0	0
Overall, the community felt satisfied with the community service program.	25	13	0	0
The program matched the community's expectations.	27	11	0	0
The duration of the program was appropriate according to community expectations.	26	12	0	0

4. CONCLUSION

The implementation of the community service program during the even semester of the 2024/2025 academic year successfully addressed core financial management challenges faced by MSMEs in Tangerang City. By focusing on product-based financial integration, the program equipped participants with essential skills in pricing, cost analysis, and simple financial reporting—tools that many had not previously applied in their businesses. The introduction of Contribution Margin and CVP Analysis proved effective in helping MSMEs understand the relationship between cost structure and profitability, enabling them to make more informed decisions about product offerings and pricing strategies. Participant evaluations during and after the program demonstrated significant improvements in financial literacy and business analysis capabilities. MSME actors who initially lacked structured cost planning were able to distinguish between fixed and variable costs, compute break-even points, and assess product and customer-level profitability. Furthermore, the involvement of university students enriched the program's impact, offering them hands-on experience while contributing meaningfully to local economic empowerment.

Feedback from participants was overwhelmingly positive, with the majority rating the program and its delivery as “very good” across key dimensions, including team competence, relevance of content, community enthusiasm, and the perceived benefits of the program. The strong engagement and satisfaction levels affirm that the program met community expectations and delivered tangible value.

5. REFERENCES

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