



Business Feasibility Study Analysis on Determining the Cost of Production of MSMEs in the LDR Café

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Abstract. *This study aims to analyze the business operations of LDR Café by examining the production, sales, and financial aspects. Given the increasingly competitive culinary industry, this study uses a field research methodology that includes observation, questionnaires, and documentation to collect primary and secondary data. The findings of the analysis indicate that non-financial factors, location, building materials, technology, and production processes are important things to consider. The marketing aspect also shows good potential with a significant increase in sales. In terms of finance, this business has been running along with the age of the project for seven years. The suggestions given include the development of more modern production technology, expansion of marketing distribution, and preparation of more detailed financial reports to monitor business performance. This study is expected to provide insight for culinary entrepreneurs in optimizing their businesses amidst tight competition.*

Keywords: *Production Aspect, Marketing Aspect, Financial Aspect, UMKM*

Abstrak. Penelitian ini bertujuan untuk menganalisis operasi bisnis LDR Café dengan memeriksa aspek produksi, penjualan, dan keuangan. Mengingat industri kuliner yang semakin ketat, penelitian ini menggunakan metodologi penelitian lapangan yang mencakup observasi, kuesioner, dan dokumentasi untuk mengumpulkan data primer dan sekunder. Temuan analisis menunjukkan bahwa faktor non-finansial, lokasi, bahan bangunan, teknologi, dan proses produksi merupakan hal yang penting untuk dipertimbangkan. Aspek pemasaran juga menunjukkan potensi yang baik dengan peningkatan penjualan yang signifikan. Dari sisi keuangan, Bisnis ini telah berjalan seiring dengan umur proyek selama tujuh tahun. Saran yang diberikan mencakup pengembangan teknologi produksi yang lebih modern, perluasan distribusi pemasaran, dan penyusunan laporan keuangan yang lebih rinci untuk memantau kinerja usaha. Penelitian ini diharapkan dapat memberikan wawasan bagi pengusaha kuliner dalam mengoptimalkan usaha mereka di tengah persaingan yang ketat.

Kata kunci: Aspek Produksi, Aspek Pemasaran, Aspek Keuangan, UMKM

1. INTRODUCTION

One sector that plays an important role in the Indonesian economy is Micro, Small, and Medium Enterprises (MSMEs). MSMEs are able to make a significant contribution to increasing employment, income, and economic equality. One type of MSME that is growing rapidly is a business in the culinary sector, such as cafes and restaurants. LDR Café as one of the business units in this sector, continues to strive to improve its quality and competitiveness in an increasingly competitive market. One aspect that is a major challenge in running an MSME business is the proper management of the cost of goods produced (HPP), which involves three main aspects, namely the production aspect, the marketing aspect, and the financial aspect.

Cost of Goods Sold (HPP) is a price component used to produce goods or services offered to consumers. Determining accurate HPP is very important for the sustainability and success of a business, especially for MSMEs such as LDR Café which tend to have limited resources and increasingly tight competition. Incorrect determination of HPP can cause losses, either in the form of decreased profit margins or difficulties in managing cash flow. Therefore, in this study, a business feasibility analysis was conducted in determining the HPP at LDR Café with a review of three main aspects: production, marketing, and finance.

The production aspect covers everything related to the product manufacturing process, from the procurement of raw materials to the process of presenting the product to consumers. At this stage, the efficiency factor in the use of raw materials, production time, and product quality greatly influences the determination of HPP. Any waste that occurs in the production process will have a direct impact on increasing HPP, which ultimately affects the competitiveness and profitability of the business. The marketing aspect is an equally important factor in determining the price of a product. Effective marketing can increase the number of sales and provide optimal profits. However, in the context of MSMEs, business owners often have difficulty in determining competitive selling prices, which can also include marketing costs incurred. Therefore, marketing aspect analysis is important to determine the extent to which the pricing strategy implemented can cover the costs incurred without sacrificing consumer appeal.

The financial aspect is a crucial factor in determining business sustainability. Good financial management will ensure that all production, marketing, and operational costs can be covered properly, and generate optimal profits. In determining the HPP, it is necessary to carefully record all expenses incurred by the business, both fixed and variable. With a deep understanding of the financial aspect, entrepreneurs can make the right decisions regarding changes in the cost of production that will be implemented. Through this business feasibility study analysis, it is hoped that the right strategy can be found in determining the cost of production for LDR Café which not only covers aspects of efficiency in production and marketing, but also ensures the financial sustainability of the business. This study also aims to provide recommendations that can help MSME management in facing challenges in the market, as well as increasing their competitiveness in the increasingly growing culinary industry.

2. LITERATURE REVIEW

Definition of Business Feasibility Study

“Business feasibility is an activity that teaches people about a business or venture that will be carried out, in a way that indicates whether the business in question will be started or not. In other words, learning involves a thorough examination of all available data and information, after which it is reviewed, evaluated, and the results of the study are analyzed using relevant methodologies. Research on a business that is carried out with a certain size, then the maximum results from the research. ” (Dr. I Made Adnyana, S.E., M.M., 2020)

Legal Aspect

“Legal aspects mention the legal requirements that must be met before starting a business. Legal requirements for different types of businesses vary, depending on the complexity of a particular business. One of the objectives of legal analysis in business studies is to check the validity, completeness, and authenticity of the available documents.” (Ramadhona et al., n.d.) “The aspects that will be examined are the location of the business, whether it is a branch, factory, warehouse, or head office. Furthermore, the layout of the building, machinery, and equipment, as well as the layout of the room, are presented to the business. Location research includes various considerations, such as whether the location is close to markets, shops, workplaces, government, financial institutions, ports, or other considerations.” (Economics and Faculty 2019)

Marketing Aspect

“Marketing is a business strategy used to reduce, modify, and produce goods that can satisfy customer needs and achieve market and customer goals.” (Tsamrotur Rofa et al. n.d.)

Financial aspect

“The purpose of this study is to determine the right amount to be charged. Then, this study also examines some of the significant benefits that will be obtained if a business is launched.” (Economics and Faculty 2019)

Definition of MSMEs

“MSMEs are one of the most common economic activities carried out by the Indonesian population as a means of obtaining income for daily needs. In the Indonesian economy, MSMEs are not only absorbers of labor because their percentage reaches 90% when compared to large businesses, but can also introduce various local products to the global market.” (Kabupaten et al. 2018).

3. METHOD

This research is included in the type of field research conducted in Environment III Tanjung Langkat, Salapian District, Langkat Regency. The researcher used two types of data sources, namely primary data and secondary data. The data collection methods applied include observation, interviews, and documentation. For data analysis, this study uses a non-financial approach, which includes aspects of production and marketing.

4. RESULTS AND DISCUSSION

General Overview of LDR Cafe Business

LDR Cafe is an MSME business that has been established since 2019 and is now located in Environment III Tanjung Langkat, Salapian District, Langkat Regency. To develop the owner's business, only two people are needed, and that is an obstacle. This is because hard-working employees never stop working, so the business owner does not always change employees.

Production Aspect

a. Business Location

Topics discussed in the Production Aspect by Jumingan (2011) include the following: business location, warehouse, machinery and equipment, and room layout for business development. Cafe LDR is located in Lingkungan III Tanjung Langkat, Salapian District, Langkat Regency. The location of this business is in a strategic place, namely in Pondok 8, which makes it easily accessible to customers, so this business is considered feasible based on its profitable location.

b. Technology

This business uses technology in the form of:

- **Coffee Maker Machine**

Coffee maker machines are used in the process of making coffee drinks to meet customer demand.

c. Production process

The production process at Cafe LDR takes place every day, except on Thursdays. The cafe is open from 10:00 WIB to 23:00 WIB.

Marketing Aspect

a) Market Form

The producer market form for LDR Cafe Business is a direct market. The consumers chosen are Gen Z children or young people. With a fairly affordable price offer, this LDR cafe is the right choice for college students or high school students.

b) Competition Analysis

Until now, there has not been much competition among cafe owners in Environment III Tanjung Langkat, Salapian District, Langkat Regency. Therefore, it can be said that this business market is quite large. The following are some marketing strategies used by LDR Cafe owners to evaluate their food and service:

- Product

This business sells palm sugar coffee. The main composition of this product is coffee and palm sugar is added as a sweetener.

The owner started marketing through social media such as Instagram, Tiktok and Facebook for example. The owner often uploads stories related to the excitement and atmosphere at Cafe LDR so that it attracts public attention and is often told by word of mouth. Over time, this cafe business began to be recognized by many people and there are more and more enthusiasts for the community, especially among young people.

Financial Aspect

1) Capital

The capital used by the owner to start this business comes from personal funds. Personal capital is funds obtained directly from the business owner himself.

Table 1. Raw Material Costs for LDR Cafe

Raw material	Purchase price	Quality per month(30 days)	Raw material costs
Coffee	Rp.236.000	10kg kopi	Rp.2.360.000
Water	Rp.5000	60 Galon	Rp.300.000
Sugar	Rp.20.000	20kg Gula	Rp.400.000
Milk	Rp.15.000	80 Kaleng susu	Rp.1200.000
Ice Crystals	Rp.5000	50 Karung	Rp.250.000
Total Raw Material Cost			Rp.4.510.000

Source: Processed Data 2024

Direct Labor Costs

Direct labor costs are costs borne by the company for workers who are directly involved in the production process, both physically and mentally, to change raw materials into finished products ready for sale. These costs include salaries and wages of workers who can be directly identified with the processing of raw materials into finished goods. Salaries and wages of machine operators are examples of long-term direct labor costs.

Table 2. Direct Labor Costs

Part	Number of direct workers	Total labor costs per month (24 days)
<i>Full time</i>	2	Rp 1.400.000
Total Direct Labor Cost		Rp1.400.000

Source: Processed Data 2024

Overhead Costs according to LDR Cafe Calculations

MSMEs often do not take into account depreciation costs or equipment depreciation in their cost analysis. This shows the inaccuracy of Beranda Café in determining the cost of production, which ultimately has an impact on the less than optimal profit obtained by Beranda Café. The following is a table of LDR Café calculations.

Table 3. Variable Overhead

information	Quantity per day	Price / day	Total Per Month
Wifi		Rp 10.000	Rp 300.000
Spoons	2 pack	Rp 20.000	Rp 480.000
Plastic Straws	3 Pack	Rp 15.000	Rp 450.000
Plastic Cups	50 pcs	Rp 8.000	Rp 240.000
Electricity		Rp.5.000	RP.150.000
Total Variable Overhead			Rp1.620.000

Source: Processed Data 2024

Table 5. Determination of HPP at LDR CAFE

No	Descriptions	Total Cost
1	Raw Material Cost	Rp.4.510.000
2	Direct Labor Cost	Rp1.400.000
3	Variable Overhead Cost	Rp1.620.000
	Cost of Goods Manufactured	Rp 7.530.000

Source: Processed Data 2024

From the table above, it can be seen that the product price, according to the price of UMKM LDR Cafe, is IDR 7,530,000. This result is based on the variables of factory overhead, direct labor, and the amount paid for raw materials.

5. CONCLUSION AND SUGGESTIONS

Conclusion

Based on the analysis and findings obtained from non-financial and financial aspects, it can be concluded regarding the development of the LDR Cafe business as follows:

- a. The results of the research on the operational business of LDR Cafe from a non-financial aspect are as follows: The production aspect, which is influenced by factors such as location, raw materials, technology, and production processes, has been clearly explained. The marketing aspect shows that the LDR Cafe business is feasible to be developed, as seen from the increase in sales that have grown from small to larger numbers.

- b. The results of the financial analysis show that this business is in accordance with the project period of ten years.

Suggestions

Suggestions that can be used as input for this LDR Cafe business include:

- a) Improving production quality by utilizing more modern technology so that the production process is more efficient and can increase employee productivity.
- b) To maximize income in the marketing aspect, continuous distribution is needed. For the financial aspect, it is recommended to make a more detailed financial report, so that it can be clearly seen the income obtained, the costs incurred, and to find out whether the business is profitable or loss-making.

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