

Cost Targeting in a Creative Digital Marketing Company

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Research aims: This research aims to evaluate cost control and pricing by applying the target costing concept as a method to improve the process of cost determination in a creative digital marketing agency company.

Design/Methodology/Approach: This study uses document analysis and semi-structured face-to-face interview techniques. The interviews were conducted with the Chief Executive Officer, Chief Editor, Chief Business Officer, and Chief Operation Officer of the company.

Research findings: The findings indicate that the actual cost of sales incurred by the company has consistently exceeded the acceptable threshold. As a result, the gross profit margin target of sixty percent, which is set by the company, cannot be achieved. However, by applying the target costing concept, the company is able to analyze target costs for its projects so that cost control can be managed more effectively.

Theoretical contribution/Originality: This research contributes to the development of cost management theory by demonstrating how the target costing method—commonly used in manufacturing industries—can be adapted and applied effectively within the service industry, specifically in the field of digital marketing agencies.

Practitioner/Policy implication: The study presents four recommendations to enhance cost control and pricing: 1) Prepare a working paper for applying target costing to each project; 2) Develop standardized rate cards based on output variables for each service category; 3) Standardize the use of direct costs across all projects; and 4) Identify lower-cost alternative activities and improve the efficiency of value-adding processes.

Keywords: Cost Control; Case Study; Digital Marketing; Target Costing

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Introduction

According to the “Digital 2024: Indonesia” report published by Datar portal in February 2024, there were 185.3 million internet users in Indonesia at the beginning of 2024, with internet penetration reaching 66.5 percent. This significant statistic provides a comprehensive overview of Indonesia as a 'digital nation.' On the other hand, based on a report released by statista.com regarding digital advertising in Indonesia, advertising spending in the digital advertising market is projected to reach US\$3.052 million in 2024. This indicates that many companies are now focused on presenting their advertisements through digital media displayed on computer screens, smartphones, tablets, and other internet-connected devices (Statista, 2024).

Amid growing demands to develop effective creative digital marketing communication strategies, creative digital marketing agencies in Indonesia are also facing intense competitive pressure. According to an analysis conducted by Christian and Almahendra (2015), competition among digital marketing agencies in Indonesia is fierce and further complicated by a highly dynamic industry and an uncertain future filled with challenges. One key factor that can attract the market is pricing that aligns with product quality. Determining such prices requires accurate calculation of the cost of sales so that the company does not suffer financial losses. A proper pricing strategy is essential for management to set

competitive product prices for the market. Product/service pricing can be carried out by applying the concept of target costing (Datar & Rajan, 2021).

PT BMN, a digital marketing agency/consulting firm based in Jakarta, revealed an issue related to meeting the profit margin target set by the company's Director, which mandates that PT BMN must achieve a minimum gross profit margin (GPM) of 60% of total annual revenue. This minimum GPM target was established in 2022 based on the average GPM within Indonesia's digital marketing industry. The issue stemmed from the inaccuracy in determining the cost of sales, as the company did not first establish the required cost of sales based on competitive market pricing. As a result, the company failed to achieve the expected profit and experienced fluctuating margins, as shown in Table 1.

Table 1 PT BMN Profitability in 2019 – 2022 (in thousands of Rupiah)

Description	2019	(%)	2020	(%)	2021	(%)	2022	(%)
Net Sales	2,909,851	100.00	17,848,919	100.00	27,395,320	100.00	39,547,313	100.00
Cost of Sales	1,779,471	61.15	8,633,589	48.37	14,319,562	52.27	24,139,078	61.04
Gross Profit	1,130,380	38.85	9,215,330	51.63	11,599,971	42.34	12,365,553	31.27
Margin								
Income from Operation	(72,732)	(2.50)	(2,780,250)	(15.58)	1,480,867	5.41	2,897,672	7.33

Source: PT BMN (2023)

Based on the issues mentioned, PT BMN's management requires a new costing system capable of determining the appropriate cost of sales based on competitive market prices. This is essential for the company to achieve the expected gross profit margin of 60% in the post-pandemic period and to enable management to address profitability challenges for long-term business sustainability. Management seeks information to ensure that the pricing of digital marketing services agreed upon with clients is neither overpriced nor underpriced, as either situation could impact their competitiveness within the digital marketing agency industry. Furthermore, management expects the new costing system to accommodate the increasingly complex and dynamic nature of advertising activities across digital media platforms.

The objective of this case study is to evaluate cost control implementation using the target costing concept as a more accurate cost determination technique to achieve profitability goals and establish more appropriate pricing for services offered by the creative digital marketing agency PT BMN. This case study is important for PT BMN in terms of cost control implementation for two main reasons. First, setting target costs helps to calculate and analyze potential cost savings, which ultimately affects the competitiveness of pricing. Second, target costing assists management in planning and designing the appropriate concept so that the services provided are acceptable to clients while generating the desired profit.

The study offers four practical recommendations aimed at improving cost control and pricing strategies within the company. First, it is recommended to prepare a working paper for the implementation of target costing for each individual project to ensure that costs are planned and monitored systematically. Second, the company should develop standardized rate cards that are based on relevant output variables for each category of service, which will help create consistency and transparency in pricing. Third, it is important to standardize the consumption of direct costs for every project or service provided, enabling better tracking and management of expenses. Finally, the company is advised to identify and select alternative activities that incur lower costs while simultaneously enhancing the efficiency of value-adding activities, in order to optimize overall business performance.

Literature Review

Cost management refers to the development and use of cost management information, which includes not only financial information regarding costs and revenues but also non-financial information concerning customer relationships, productivity, quality, and other key factors that contribute to the

success of an organization (Blocher et al., 2013). Strategic cost management involves the use of relevant cost management information to make effective strategic decisions regarding product selection, production methods, marketing techniques, and customer profitability evaluation that provide a company with a competitive advantage.

Cost is defined as the cash or cash equivalent sacrificed to acquire goods or services expected to provide current or future benefits to the company (Datar & Rajan, 2021). Profit represents the difference between revenue and expenses; hence, it reflects both input (expenses measured by cost) and output (revenue earned). Gross profit is achieved when net sales exceed the cost of goods sold.

Target costing is a method used to estimate the cost of a product or service by referring to a competitive or market-based price so that the product/service can achieve the desired profit (Selto & Groot, 2013). Meanwhile, target pricing is a pricing method based on the price desired by consumers or the market, rather than pricing based on production costs or market competition (Nangoy et al., 2022). The difference between target costing and target pricing lies in how a company sets the selling price of its products. Target costing is usually calculated when a company sets its selling price, whereas target pricing is applied after the company determines the target cost. Target pricing is most effective when the company calculates costs using the best methods available (Celayir, 2020; Mappaujung et al., 2023).

There are five key principles in the implementation of target costing there are: 1) Price-driven costing; 2) Focus on service product design and process design; 3) Cross-functional involvement; 4) Value-chain involvement; and 5) A life-cycle orientation (Swenson et al., 2003). *Price-driven costing* emphasize that setting a selling price is not easy due to increasing market competition. Market prices often dictate the selling price, which in turn determines the target cost by deducting market price with target gross profit. *Customer Focus* focus on customer expectations regarding quality, cost, and functionality must be incorporated simultaneously into the product and considered during decision-making related to design and cost estimation. From the customer's perspective, the benefits of features and functions offered by the service must outweigh its acquisition cost (or selling price from the entrepreneur's perspective). Therefore, service or product design must avoid adding features that increase cost without adding value for the customer (Ulrich & Eppinger, 2015; Lovelock & Wirtz, 2016).

Focus on Service Product Design and Process Design means cost control is largely determined during the stages of service product design and service production process design. Therefore, any changes or modifications should be made before the service production process begins, with the goal of reducing costs and shortening the "time to market," especially for new service products (Bichou, 2014; Ulrich & Eppinger, 2015). *Cross-functional involvement* means one of the key aspects of target costing is the implementation of a team-based approach to achieve target costs. Team members represent a broad group of individuals including manufacturers, engineers, designers, research and development experts, marketing specialists, and suppliers. These cross-functional product and process teams are responsible for the entire service product from initial concept to final production (Kato, 1993). *Value-chain involvement* means target costing involves all stakeholders within the value chain, including vendors, distributors, and customer service providers. This approach is based on building mutually beneficial long-term relationships with these parties. In doing so, the company can expand cost-reduction efforts across the entire value chain by collaborating with external partners beyond the firm itself (Shin & Park, 2013). *A life-cycle orientation* means method is primarily aimed at minimizing the product life-cycle costs for both the producer and the customer. Total life-cycle costs are reduced not only for manufacturers but also for consumers. These costs include the purchase price, operational costs, maintenance, and distribution expenses (Hansen et al., 2022).

Methodology

This research employs a mixed-methods approach using a sequential explanatory design. This approach combines qualitative and quantitative methods to provide more comprehensive insights in addressing the research questions (Creswell, 2014). To develop the target costing model, this study adopts a two-phase mixed-method strategy: first, qualitative data are collected and analyzed, which then informs the planning and structuring of the second, quantitative phase.

In the qualitative phase, the study investigates a creative digital marketing agency through interviews with key informants to understand its business operations. This is followed by a quantitative approach aimed at determining the service selling prices based on market rates and building a target cost model. Additionally, cost information derived from the target costing model is used for gross profit margin analysis to ensure that the company meets its profitability targets.

From the object of study perspective, this research adopts a single case study design, focusing on one company only. In single case studies, the focus and purpose are directed at core issues faced by the research subject. The unit of analysis reflects the level of data aggregation used during the data analysis stage (Sekaran & Bougie, 2020). Data collection methods include interviews and document analysis (such as financial reports, project proposals, and cost calculations by service type). The data used in this study pertain to the fiscal year 2022.

The interviews were conducted using a semi-structured format, where questions were prepared and presented to respondents. The interviewees included the Chief Executive Officer, Chief Editor, Chief Business Officer, and Chief Operating Officer of PT BMN, conducted in person with each session lasting approximately 60 minutes. Respondents were selected based on their direct involvement in the company's service delivery processes, ensuring the relevance of the information gathered.

After collecting the data, the cost control design was carried out in the following steps: 1) Determine the market selling price for each service type; 2) Define the average Gross Profit Margin as targeted by the director; 3) Calculate the target costing; 4) Break down the target cost into components of cost of sales for each service; 5) Identify the actual cost of each component for each service; and 6) Reduce actual costs to meet target cost levels by applying value engineering, based on internal and external benchmarking against competitors. Data collection was conducted at PT BMN using the research tools listed in Table 2.

Table 2 Data Collection Methods

Data	Data Collection Method
General description of the creative digital marketing agency	Interviews
Description of the service process	Interviews
Costs to serve customers and revenue from each customer	Document review, interviews
Productive work time (practical capacity)	Interviews
Activities performed and time consumed per activity	Document review

Results and Discussions

This study was conducted on four types of creative digital marketing services (media, social media management, Key Opinion Leader (KOL) management, and event management) provided by PT BMN in 2022.

Determining The Target Selling Price Based on The Market/Competitors

Based on an interview with the Chief Business Officer regarding the determination of the selling price:

"PT BMN determines the selling price for each service based on the scope of work agreed upon, while also considering the selling prices set by the market due to the numerous competitors similar to PT BMN. The target selling price is determined through discussions with me and by comparing it with the quotations from PT BMN's competitors, as the digital marketing industry becomes more competitive. Therefore, the target pricing for each service will use the selling price that I have confirmed, and this price is aligned with the market price for 2023-2024."

The target selling prices are shown in Table 3.

Table 3 PT BMN and Competitor Target Selling Prices for 2023-2024

No	Service Type	PT BMN Target Selling Price (Rp)	PT FD Competitor Selling Price
1	Media	60.5 million	40 – 92 million
2	Social media	149.5 million	32 – 152.5 million
3	KOL mgt	155 million	65 – 198 million
4	Event mgt	215 million	177 – 236 million

Source: PT BMN and PT FD (2023)

Determining The Expected Target Gross Profit Margin

According to a letter issued by the BMN Director in 2022, PT BMN must achieve a minimum Gross Profit Margin (GPM) target of 60% of total revenue each year. The GPM target for PT BMN, assuming the use of weighted selling prices for each service, can be seen in Table 4.

Table 4 Calculation of PT BMN's Target Gross Profit Margin

Service Type	Target Selling Price (Rp)	Gross Profit Margin (%)	Target Gross Profit Margin (Rp)
Media	60,500,000	60	36,300,000
Social media	149,500,000	60	89,700,000
KOL management	155,000,000	60	93,000,000
Event management	215,000,000	60	129,000,000

Calculating The Total Target Cost (Cost of Sales)

Based on the target cost concept: target cost = market price – target gross profit, the target cost can be determined based on the weighted selling price and the target Gross Profit Margin of PT BMN. The target costs for PT BMN's Target Costing are shown in Table 5.

Table 5 Calculation of PT BMN's Target Cost of Sales

No	Service Type	Target Selling Price (Rp)	Target Gross Profit Margin (Rp)	Target Cost of Sales (Rp)
1	Media	60,500,000	36,300,000	24,200,000
2	Social media	149,500,000	89,700,000	59,800,000
3	KOL mgt	155,000,000	93,000,000	62,000,000
4	Event mgt	215,000,000	129,000,000	86,000,000

Source: PT BMN (2023)

Breaking Down the Total Target Cost (Cost of Sales) Into Cost Components for Each Service Product

Creative digital marketing activities consist of various costs, each consuming different levels of resources. The cost structure and details of PT BMN's 2022 cost of sales can be seen in Table 6.

Table 6 Cost Nature and Portion of PT BMN's 2022 Cost of Sales

Service Type	Variable Cost				Fixed Cost	
	Direct Cost				Direct Labor	
	Rp	%/Cost of Sales	Rp	%/Cost of Sales	Rp	%/Cost of Sales
Media	1,190,933,950	41.32	1,690,963,945	58.68		
Social media	874,701,000	80.94	205,985,839	19.06		
KOL management	16,036,701,077	94.61	913,356,420	5.39		
Event management	3,839,961,900	94.29	232,374,599	5.71		

The details of the target direct costs (not shown) are determined based on PT BMN's market practices in 2022. For media services, the direct cost components consist of boosting articles, community/freelance writers, and giveaways. Boosting articles are costs incurred by PT BMN when the engagement for media services does not reach the agreed minimum total views. Community/freelance writers are costs incurred by PT BMN when additional support is needed due to the engagement for media services failing to meet the promised completion date. Giveaways refer to the expenses incurred by PT BMN related to providing gifts to viewers of PT BMN's media.

For social media management services, the direct cost components consist of shooting/photoshoots and boosting ads. Shooting/photoshoot costs are related to the shooting or photoshoot processes conducted by PT BMN. Boosting ads are costs that must be incurred when the engagement for social media management services does not reach the agreed minimum total views. For Key Opinion Leader (KOL) management services, the direct cost component consists of KOL/influencer fees. These are expenses incurred by PT BMN in relation to the engagement of KOLs/influencers for promoting clients' products. Meanwhile, for event management services, the direct cost components consist of speakers/guest stars, venue, permits, food and beverage, participants, crew, and production & equipment. These are all costs incurred by PT BMN related to the preparation of events agreed upon with the client to be organized by PT BMN.

Comparing Actual Costs with Target Costs for Each Type of Service

The next step is to compare actual costs with target costs for each service component in delivering the services. The *Actual Cost of Sales* is calculated using the 2022 average Cost of Sales per project data, as this figure reflects the most current value of the main service delivery costs incurred by PT BMN. The comparison calculations are shown in Tables 7 through 11. These tables show unfavourable (UF) variance figures, meaning that the actual cost of sales exceeds the set target cost of sales. Thus, it can be concluded that PT BMN has not yet been able to control its cost of sales, resulting in lower gross margins for the company.

Table 7 Average Actual Cost of Sales per Project in 2022

Type of Service	Actual (Rp)	Number of Projects	Average per Project (Rp)
Media	2,881,897,895	70	41,169,970
Social media	1,080,686,839	11	98,244,258
KOL Management	16,950,057,497	169	100,296,198
Event Management	4,072,336,499	26	156,628,327

Source: PT BMN (2023)

Table 7 shows the average actual cost of sales per project for each type of service provided by PT BMN in 2022. The data reveals that Event Management services incurred the highest average cost per project at Rp156,628,327, despite having only 26 projects, suggesting that these services are relatively resource-intensive. KOL Management, with the largest number of projects (169), had an average cost of Rp100,296,198 per project, indicating significant volume but more controlled costs. Social Media Management had a moderate average cost of Rp98,244,258 across 11 projects. Media services, although the second highest in project volume (70 projects), had the lowest average cost per project, amounting to Rp41,169,970, reflecting more cost-efficient operations or smaller project scopes. Overall, the table highlights varying cost dynamics across service types, with Event Management requiring the most financial input per project.

Table 8 Comparison of Target vs Actual Costs 2022 – Media Services

Cost of Sales	Target (Rp)	Actual (Rp)	Variance (Rp)	%
<i>Direct Cost</i>				
Boosting Article	3,000,169	6,916,555	3,916,386	130.54 UF
Freelance Writer	6,000,338	9,337,349	3,337,011	55.61 UF
Giveaway	1,000,056	1,037,483	37,427	3.74 UF
<i>Direct Labor</i>	14,199,437	23,878,583	9,679,146	68.17 UF
Total	24,200,000	41,169,970	16,969,970	70.12 UF

Source: BMN data, processed (2023)

Table 8 presents a comparison between the target and actual costs for Media Services in 2022, revealing that all cost components experienced unfavorable (UF) variances, indicating actual expenses exceeded the budgeted targets. The most significant overrun occurred in the Boosting Article category, which surpassed its target by 130.54%, followed by Direct Labor at 68.17%, and Freelance Writer at 55.61%. Even the relatively small Giveaway cost showed a 3.74% overage. Overall, the total actual cost of Rp41,169,970 exceeded the target cost of Rp 24,200,000 by Rp 16,969,970 or 70.12%, underscoring inefficiencies in cost control within the media services operations.

Table 9 shows that the actual costs for Social Media Services in 2022 significantly exceeded the target costs across all components, resulting in unfavorable (UF) variances. The largest cost overrun was found in Boosting Ads, with a 73.71% variance, followed by Direct Labor at 81.00%, and Shooting/Photoshoot at 40.31%. In total, the actual cost amounted to Rp98,244,258, while the target was Rp59,800,000, indicating an overrun of Rp38,444,258 or 64.29%. This suggests a substantial gap in cost planning and control in the delivery of social media services.

Table 9 Comparison of Target vs Actual Costs 2022 – Social Media Services

Cost of Sales	Target (Rp)	Actual 2022 (Rp)	Variance (Rp)	%
<i>Direct Cost</i>				
Shooting/Photoshoot	19,360,695	27,164,537	7,803,843	40.31 (UF)
Boosting Ads	29,041,042	50,448,427	21,407,385	73.71 (UF)
<i>Direct Labor</i>	11,398,263	20,631,294	9,233,031	81.00 (UF)
Total	59,800,000	98,244,258	38,444,258	64.29 (UF)

Source: Processed by Authors, 2023

Table 10 highlights a significant cost overrun in the Key Opinion Leader (KOL) Services in 2022. The total actual cost reached Rp100,296,198, far exceeding the target of Rp62,000,000, resulting in an unfavourable variance (UF) of Rp38,296,198 or 61.77%. The majority of this overrun came from KOL/Influencer fees, which were 62.43% higher than planned. Meanwhile, Direct Labor costs also exceeded the target by 50.10%. These findings indicate insufficient cost control in KOL service execution and a need to reassess budgeting and resource allocation strategies.

Table 10 Comparison of Target vs Actual Costs 2022 – Key Opinion Leader (KOL) Services

Cost of Sales	Target (Rp)	Actual (Rp)	Variance (Rp)	%
<i>Direct Cost</i>				
KOL/Influencer	58,659,121	95,281,388	36,622,268	62.43 (UF)
<i>Direct Labor</i>	3,340,879	5,014,810	1,673,931	50.10 (UF)
Total	62,000,000	100,296,198	38,296,198	61.77 (UF)

Source: Processed by Authors, 2023

Table 11 reveals a substantial unfavourable variance in Event Services cost performance for 2022. The actual cost amounted to Rp 156,628,328, significantly surpassing the target of Rp 62,000,000, with a total unfavourable variance of Rp 94,628,328 or 152.62%. The largest contributors to this overrun were Speaker/Guest Star fees and Venue costs, which exceeded their respective targets by 144.65% and 129.36%. Other components such as Permit, Production & Equipment, and Direct Labor also showed variances above 50%, indicating pervasive cost inefficiencies across almost all categories of event management. This highlights a critical need for better planning, vendor negotiation, and cost control mechanisms in event-related services.

Table 11 Comparison of Target vs Actual Costs 2022 – Event Services

Cost of Sales	Target (Rp)	Actual (Rp)	Variance (Rp)	%
<i>Direct Cost</i>				
Speaker/Guest Star	24,327,807	59,518,764	35,190,957	144.65 (UF)
Venue	16,218,538	37,199,228	20,980,690	129.36 (UF)
Permit	4,054,635	8,927,815	4,873,180	120.19 (UF)
Food & Beverage	8,109,269	10,415,784	2,306,515	28.44 (UF)
Participant	8,109,269	8,183,830	74,561	0.92 (UF)
Crew	8,109,269	8,927,815	818,546	10.09 (UF)
Production & Equipment	12,163,904	15,623,676	3,459,772	28.44 (UF)
<i>Direct Labor</i>	4,907,309	7,831,416	2,924,107	59.59 (UF)
Total	62,000,000	156,628,328	94,628,328	152.62 (UF)

Source: Processed by Authors, 2023

Improving Efficiency When Actual Costs Exceed Target Costs

Value engineering is applied to enhance efficiency when actual costs exceed the target costs. It is used in setting cost targets by reducing product costs through an analysis of the trade-offs between product feature types and the overall cost of the product to be used (Bhimani et al., 2023).

Functional analysis is a type of value engineering that evaluates the performance and cost of each primary function or feature of a product. Design analysis is another form of value engineering, where the design team prepares several product designs, each with similar characteristics and performance levels but with different associated costs.

Discussion

Based on Tables 7 to 11, it is evident that the Actual Cost of Sales per project in 2022 was generally higher than the target cost. Analyzing the cost breakdown of each service, all activities showed actual costs exceeding the target. This is primarily due to the lack of control over the total cost when providing services for each project, as well as the absence of clear cost standards in determining prices. This section will briefly discuss and analyze the causes of actual costs exceeding the target costs for each type of service.

Media Services

The actual cost of boosting articles exceeded the target due to PT BMN not clearly stating the Key Performance Indicators (KPIs) or terms and conditions of the price rate offered during the pitching process. As a result, the KPIs were only discussed after the client signed the agreement. Additionally, the actual cost of community/freelance writers exceeded the target due to PT BMN not clearly defining normal due dates for each agreed-upon task and the rules and regulations regarding media work standards during the pitching phase. This led to frequent delays in task completion, increasing the cost/honorarium for writers. The higher actual cost of sales compared to the target is related to the issue with community/freelance writers, where writers often work on similar tasks, reducing PT BMN's overall productivity.

Social Media Services

The higher actual direct labor costs compared to the target direct labor are related to issues with shooting/photoshoots. The scope or limits of the shooting/photoshoot concept were unclear during the pitching and agreement stages. Similar to the Media Services, PT BMN did not clearly state the KPIs and terms and conditions for the price rate offered during the pitching phase, which resulted in the actual boosting ads cost exceeding the target.

Key Opinion Leader (KOL) Services

The higher actual direct labor costs compared to the target direct labor are related to issues with KOL/Influencers. Many clients chose KOLs/Influencers who exceeded the budget and had never worked with PT BMN before, requiring PT BMN to do additional work to bring those KOLs/Influencers on board. The absence of standard categorization policies for KOL/Influencer/artist honoraria meant that PT BMN often "guessed" the cost of the influencer's fee, which turned out to be higher than anticipated.

Event Services

In general, the increase in actual event costs was due to the lack of policies or input cost standards for event management categorization. Each event should have a pricing category according to the package offered, such as a 3-star, 4-star, or 5-star package. PT BMN seems to lack employees with the expertise to plan and calculate the budget according to the type of event desired by the client.

Conclusion

As a growing company, PT BMN does not have a cost target for providing creative digital marketing services and only uses estimated selling prices during the pitching process without control over direct costs incurred during the project. The increasing competition in the creative digital marketing agency business makes controlling service costs for each digital marketing service important. Therefore, this research is conducted to apply the target costing concept as a step to help PT BMN's management in achieving cost efficiency in their services. This study focuses on four types of services (media, social media management, KOL management, and event management) at PT BMN in 2022.

After performing the target costing calculations, the findings conclude that the actual cost of sales has consistently exceeded the normal threshold, which caused the targeted Gross Profit Margin of 60% set by the director to be unattainable. By implementing target costing, cost targets for each service type can be analyzed so that the costs incurred during the project can be better controlled. Target costing provides management with more accurate cost information, allowing for better allocation of direct costs.

The variance analysis between actual costs and target costs has always been unfavourable, with cost overruns occurring due to the absence of a cost control system and the lack of input cost standard policies. This has caused the company's Gross Profit Margin to continuously decline since 2020.

Recommendations for PT BMN's management include creating target costing worksheets for each project. To achieve continuous process improvements, efficiency should be achieved for every project activity, preferably during the project and not after it is completed. The company should also consider other factors that impact financial efficiency, such as choosing alternative activities that require lower costs, improving the efficiency of activities that add value to the company, and increasing the effectiveness of time and resources consumed by each activity within the company. Management should standardize the consumption of direct costs for each service offered by the creative digital marketing agency to help calculate appropriate pricing for digital marketing services, which would positively contribute to the company's margin.

This study is limited to the analysis of PT BMN's operations in 2022 and focuses on four specific services offered by the company. The research relies on available data from the company, which may be subject to inaccuracies or incompleteness. Additionally, the study only applies the target costing method to a select group of services, and the findings may not be generalized to other services or companies in the digital marketing industry. Furthermore, the recommendations are based on the assumption that PT BMN will adopt and implement the target costing system effectively, which may require significant changes in their current operational and financial processes.

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