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ANALYSIS OF THE IMPLEMENTATION OF TARGET COSTING AS AN EFFORT TO SAVE OPERATIONAL COSTS IN LINGGA SALON

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ABSTRACT

This study analyzes the application of target costing as an effort to improve operating cost efficiency at Lingga Salon. It identifies actual operating costs, calculates target cost based on revenue and desired profit, measures the cost gap, and evaluates savings alternatives through value engineering. The study uses a descriptive method with a quantitative approach supported by qualitative information. Data were collected through interviews with the owner and three employees, observation, business documentation, and literature review. The data show revenue of IDR 398,820,000 and actual operating costs of IDR 308,414,000, resulting in actual profit of IDR 90,406,000 or a 22.67% margin. With a target profit of 25% of revenue, the target profit is IDR 99,705,000 and the target cost is IDR 299,115,000. The resulting cost gap is IDR 9,299,000, equivalent to a minimum efficiency requirement of approximately 3.02%. A value engineering scenario covering salon supplies, electricity and water, maintenance, cleaning, administration/promotion, and internet produces potential savings of IDR 9,850,840. Operating costs would decrease to IDR 298,563,160, profit would increase to IDR 100,256,840, and the profit margin would reach 25.14%. These findings suggest that target costing supported by value engineering can serve as a planning and cost-control tool for salon service businesses, provided service quality is maintained.

Keywords: Target Costing, Value Engineering, Operating Costs, Cost Efficiency, Salon Services

ABSTRAK

Penelitian ini menganalisis penerapan target costing sebagai upaya meningkatkan efisiensi biaya operasional pada Lingga Salon. Penelitian ini mengidentifikasi biaya operasional aktual, menghitung biaya target berdasarkan pendapatan dan laba yang diharapkan, mengukur kesenjangan biaya (cost gap), serta mengevaluasi alternatif penghematan melalui value engineering. Penelitian ini menggunakan metode deskriptif dengan pendekatan kuantitatif yang didukung oleh informasi kualitatif. Data dikumpulkan melalui wawancara dengan pemilik dan tiga orang karyawan, observasi, dokumentasi usaha, serta studi pustaka. Data menunjukkan bahwa pendapatan mencapai Rp. 398.820.000 dan biaya operasional aktual sebesar Rp. 308.414.000, sehingga menghasilkan laba aktual sebesar Rp. 90.406.000 atau dengan margin laba sebesar 22,67%. Dengan target laba sebesar 25% dari pendapatan, diperoleh target laba sebesar Rp. 99.705.000 dan biaya target sebesar Rp. 299.115.000. Hasil tersebut menunjukkan adanya kesenjangan biaya (cost gap) sebesar Rp. 9.299.000, yang setara dengan kebutuhan efisiensi minimum sekitar 3,02%. Skenario value engineering yang mencakup perlengkapan salon, listrik dan air, pemeliharaan, kebersihan, administrasi/promosi, serta internet menghasilkan potensi penghematan sebesar Rp. 9.850.840. Biaya operasional dapat ditekan menjadi Rp. 298.563.160, laba meningkat menjadi Rp. 100.256.840, dan margin laba mencapai 25,14%. Temuan ini menunjukkan bahwa target costing yang didukung oleh value engineering dapat digunakan sebagai alat perencanaan dan pengendalian biaya bagi usaha jasa salon, dengan tetap mempertahankan kualitas pelayanan.

Kata Kunci: Target Costing, Value Engineering, Biaya Operasional, Efisiensi Biaya, Jasa Salon

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I. INTRODUCTION

Competition in the service business requires business actors to maintain the quality of service while managing costs carefully. In the salon business, customers assess not only the price, but also the results of maintenance, labor skills, comfort, cleanliness, and consistency of service. Therefore, cost reduction cannot be done haphazardly. Managers need to know the cost components that really provide value for customers and the components that can still be improved without interfering with the main function of the service.

Operational costs are economic resources that are sacrificed to carry out daily business activities. In salons, these costs include maintenance materials and cosmetics, labor wages, owner compensation, rent, electricity and water, equipment maintenance, cleaning, administration, promotion, and internet. If expenses are not recorded and evaluated regularly, owners may have difficulty recognizing waste, comparing realization with plans, and assigning corrective actions.

Lingga Salon is a beauty and care service business located on Jalan D.I. Panjaitan, Pematangsiantar City. The services offered include haircuts, creambaths, hair spas, hair coloring, smoothing/rebonding, facials, and makeup. The business is managed directly by the owner with the help of three employees. The owner is also involved in services so that cost control and the utilization of work capacity can be done directly.

The thesis that is the source of this article illustrates that the price of services was previously done simply by considering the type of service and business conditions. In situations when prices must remain competitive, increasing profits cannot always be achieved through tariff increases. A relevant alternative is to arrange costs based on the price that the market accepts and the profit to be achieved.

Target costing offers this point of view. Unlike the cost-plus approach that calculates costs first and then adds profit, target costing starts from the selling price that the market can accept, minus the targeted profit. The result is the maximum cost limit that needs to be achieved. Thus, target costing functions as a planning tool as well as cost control from the beginning.

This research is important because the study of target costing in service businesses has its own characteristics. In salons, material costs are related to the type and volume of services, while labor, service time, equipment, and interaction with customers take place simultaneously. Cost control must pay attention to these characteristics so that efficiency does not reduce customer experience and satisfaction.

The main problem studied was how Lingga Salon can achieve the expected profit level by managing operational costs more systematically. In particular, the research departed from the need to determine the structure and amount of actual costs, calculate the maximum allowable costs based on profit targets, measure the difference between actual costs and target costs, and determine feasible savings alternatives.

The research aims to: (1) determine the structure and amount of the actual operational costs of Lingga Salon; (2) analyze the calculation of operational costs using the target costing method based on targeted revenue and profit; (3) determine the magnitude of the difference between actual operational costs and target costs; and (4) analyze the implementation of target costing as an effort to improve operational cost efficiency.

II. LITERATURE REVIEW

Costs and Operating Costs

Costs can be understood as the sacrifice of resources to obtain benefits or achieve a specific goal. In management accounting, cost information is used for planning, control, pricing, and performance evaluation. For information to be useful, costs need to be identified according to their objects and behavior, and recorded at the appropriate period.

Operational costs are expenses that are necessary to support the company's main activities and supporting activities. In service companies, the grouping of costs needs to be adjusted to the nature of the service. The materials used for one customer can be traced as direct material costs, while rent,

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utilities, maintenance, cleaning, and administration are generally supporting costs or overheads. The wages of workers who provide services are directly related to the capacity and quality of services.

Operational cost information helps owners identify the dominant part of expenses, assess the fairness of resource use, and determine improvement priorities. Control does not mean cutting all expenses. Costs that maintain safety, cleanliness, material quality, labor competence, and customer comfort still need to be maintained.

Cost Planning and Control

Cost planning sets the goals and resources needed before the activity is carried out. Cost control compares realization with standards or budgets, identifies deviations, finds causes, and determines corrective actions. The two are interrelated: the plan becomes the basis for control, while the results of the control become the input for the planning of the next period.

For small businesses, a control system can start with simple but regular records, such as purchase lists, material usage per service, electricity and water bills, wages, maintenance costs, and promotional expenses. Monthly data allows owners to recognize changes in cost patterns and assess whether the increase in costs is in line with the increase in service volume.

Target Costing Concept

Target costing is a market-oriented approach to determining costs. The company first estimates the selling price that customers can accept, then sets the expected profit. The difference between the target selling price and the target profit is the maximum allowable cost. The basic formula is: Target Cost = Target Selling Price – Target Profit.

This approach is different from cost-plus pricing. In cost-plus, cost is the initial basis for pricing. In target costing, market prices and customer needs are the starting point, while costs are treated as goals that must be managed. This principle encourages managers to consider costs from the time of service planning, not just after expenses have occurred.

The main principles of target costing include customer orientation, price determining costs, attention to the entire process, stakeholder involvement, and continuous search for improvements. In the context of salons, customer orientation means that savings should not decrease the quality of care products, service results, cleanliness, or comfort.

Stages of Target Costing

The stages of application used in the thesis include identification of the type of service and selling price, calculation of actual costs, determination of target profit, calculation of target costs, comparison of actual costs with target costs, calculation of cost gaps, implementation of value engineering analysis, calculation of costs after efficiency, and measurement of changes in efficiency and profit.

Cost gap is the difference between the actual cost and the target cost. If the difference is positive, the actual cost is still above the allowable limit, so cost reduction efforts are required. If the actual cost is equal to or lower than the target cost, the cost target has been achieved. The cost gap gives management a clear nominal measure of the amount of savings required.

In this study, the profit target is set at 25% of revenue. This determination is a policy assumption in the analysis, not the result of statistical estimates. Implementation in other periods needs to consider market conditions, customer capabilities, investment needs, and business risks.

Value Engineering

Value engineering is an approach to evaluating the function and benefits of an activity or cost component to find a more economical alternative without eliminating the main functions and value needed by customers. In salon businesses, this approach can be applied to material usage standards, supplier selection, economical purchasing, inventory control, electricity and water use, equipment maintenance, and promotional effectiveness.

Value engineering is not just about choosing the goods at the lowest price. Managers need to consider quality, safety of use, consistency of results, availability of supply, and customer satisfaction. Low-quality materials that cause unsatisfactory service results can incur indirect costs in the form of complaints, rework, and customer loss.

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Target Costing in Service Companies

The implementation of cost targets in service companies requires adjustments because services cannot always be stored and the production process often takes place at the same time as consumption. Labor capacity, service time, skills, and customer interaction are important elements. Therefore, efficiency needs to be directed at the use of resources that do not add value to services or can be done in a more economical way.

In salons, material control can be done by determining usage standards based on the type of service. Utility usage can be monitored through operational habits, such as turning off equipment when not in use and using water reasonably. Preventive maintenance can reduce equipment interference. Digital promotions can be considered to increase reach with measurable expenses.

Framework of Analysis

The research analysis framework starts from the identification of actual revenue and cost, then the determination of the target profit, the calculation of the target cost, and the measurement of the cost gap. If the actual cost exceeds the target cost, the cost component is evaluated using value engineering. After the savings alternatives are calculated, the new cost is compared to the target cost and the profit after efficiency is calculated assuming fixed revenue.

This framework places target costing as a cost planning instrument and value engineering as a way to identify savings alternatives. The two complement each other: target costing answers what is the maximum allowable cost, while value engineering helps determine areas for improvement.

III. RESEARCH METHODS

The research uses a descriptive method with a quantitative approach supported by qualitative data. The descriptive approach is used to describe Lingga Salon's operational activities, cost structure, revenue, and profit. The quantitative approach is used to calculate actual costs, target profit, target costs, cost gaps, savings, cost efficiency, and profit after efficiency. Qualitative data helps explain material use practices, labor management, purchasing, and operational activities.

The location of the research is Lingga Salon which is located at Jalan D.I. Panjaitan, Pematangsiantar City. The thesis calls for the implementation of the research in 2026 and uses operational data for 12 months. However, since the table contains January to December, the exact calendar year needs to be confirmed to the author and business owner before the article is published. This article does not assume the year of data that cannot be ascertained from the document.

The research informants consist of the owner of Lingga Salon and three employees. The selection of informants is carried out purposively because they know firsthand about service activities, material use, purchases, labor arrangements, service prices, and operational expenses. The owner is also involved in service activities so that they can provide information about business policies and daily practices.

Data collection is carried out through four techniques. First, interviews to obtain explanations about operational activities, profit policies, purchasing patterns, material use, labor management, and savings opportunities. Second, observation of service activities, the use of materials and equipment, electricity and water consumption, and activities that have the potential to cause waste. Third, documentation of transaction records, revenue, material purchases, labor payments, utility bills, maintenance, asset lists, and supporting documents. Fourth, literature studies on operational costs, cost planning and control, target costing, value engineering, and cost efficiency.

The analysis is carried out in stages. First, identify the type of service, selling price, transaction volume, and revenue. Revenue is calculated by multiplying the price of each service by the number of transactions. Second, grouping actual operational costs into materials, labor, and overhead costs. Third, calculating actual profit by subtracting operating costs from revenue. Fourth, setting a target profit of 25% of revenue.

Fifth, calculate the target cost with the formula of revenue minus the target profit. Sixth, calculate the cost gap as the actual cost minus the target cost. Seventh, evaluate the cost component through value engineering to find viable savings alternatives. Eighth, calculate the cost after efficiency

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by reducing the actual cost using the planned savings. Ninth, calculate the percentage of efficiency and profit after efficiency.

Primary data is obtained directly from owners and employees through interviews and observations. Primary information includes type of service, service process, price, use of materials, service time, number of labor, purchasing policy, use of equipment, and cost management. Secondary data is obtained from business records and documents, such as revenue records, transaction amounts, material purchases, labor payments, electricity and water bills, maintenance costs, asset lists, and other expense records.

IV. RESEARCH RESULTS

Service Type and Price

Lingga Salon offers seven groups of services. Based on the price table in the thesis, the haircut fee is IDR 50,000, creambath IDR 80,000, hair spa IDR 110,000, hair coloring IDR 180,000, smoothing/rebonding IDR 300,000, facial IDR 150,000, and makeup IDR 250,000.

Table 1. Types of Services, Service Prices, and Material Costs per Service at Lingga Salon

Service type	Service price	Material cost per service
Haircut	IDR 50.000	IDR 6.000
Creambath	IDR 80.000	IDR 18.000
Hair spa	IDR 110.000	IDR 28.000
Hair coloring	IDR 180.000	IDR 60.000
Smoothing/rebonding	IDR 300.000	IDR 90.000
Facial	IDR 150.000	IDR 40.000
Make up	IDR 250.000	IDR 65.000

These price ranges show differences in the level of use of materials and resources. Services with higher prices generally require greater materials and processing time. Therefore, material control should be done per type of service, rather than applying the same deduction to all services.

Service Volume

During the 12-month period analyzed, Lingga Salon recorded 3,639 service transactions. Haircut was the service with the largest volume, namely 1,255 transactions, followed by creambath with 772 transactions and hair spa with 566 transactions. The lowest volume was in makeup with 130 transactions, while smoothing/rebonding was recorded with 204 transactions.

Table 2. Number of Service Transactions by Service Type at Lingga Salon

Service type	Number of transactions
Haircut	1.255
Creambath	772
Hair spa	566
Hair coloring	385
Smoothing/rebonding	204
Facial	327
Make up	130
Total	3.639

The lowest number of monthly transactions occurred in February with 253 transactions, while the highest number occurred in December with 385 transactions. This pattern indicates an increase in activity towards the end of the year. Volume information is important in cost analysis because the use of direct materials tends to follow the number and type of service.

Revenue

Revenue is obtained by multiplying the number of services by the price of each service. The total income for 12 months is IDR 398,820,000, with an average of IDR 33,235,000 per month. The lowest income occurred in February at IDR 26,930,000 and the highest in December at IDR 43,910,000.

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Table 3. Monthly Revenue of Lingga Salon Over a 12-Month Period

Moon	Revenue
January	IDR 28.850.000
Februari	IDR 26.930.000
March	IDR 30.440.000
April	IDR 31.790.000
May	IDR 33.200.000
June	IDR 30.440.000
July	IDR 34.500.000
August	IDR 36.190.000
September	IDR 31.830.000
October	IDR 33.190.000
November	IDR 37.550.000
December	IDR 43.910.000
Total	IDR 398.820.000

Direct Material Cost

Direct material costs are expenses for products used in the provision of services. The total cost of materials during the analysis period reached IDR 100,264,000. The largest component came from hair coloring of IDR 23,100,000, followed by smoothing/rebonding of IDR 18,360,000 and hair spa of IDR 15,848,000.

Table 4. Total Direct Material Costs by Service Type at Lingga Salon

Service type	Total cost of materials
Haircut	IDR 7.530.000
Creambath	IDR 13.896.000
Hair spa	IDR 15.848.000
Hair coloring	IDR 23.100.000
Smoothing/rebonding	IDR 18.360.000
Facial	IDR 13.080.000
Make up	IDR 8.450.000
Total	IDR 100.264.000

The amount of cost of dyeing and smoothing/rebonding materials is in line with the intensity of product use in both services. Therefore, efficiency efforts can be focused on standardizing the dosage of materials, recording usage per customer, controlling product residues, and evaluating suppliers. Savings must still pay attention to product quality and service results.

Actual Operating Cost Structure

The total actual operational cost of Lingga Salon was recorded at IDR 308,414,000. The largest cost component was materials of IDR 100,264,000 or 32.51% of the total cost. The cost of three employees was IDR 86,400,000 or 28.01%. Compensation for the owner and rent was IDR 36,000,000 or 11.67% respectively. Electricity and water were IDR 19,150,000 or 6.21%, while other costs were IDR 30,600,000 or 9.92%.

Table 5. Annual Operating Cost Structure and Percentage Distribution of Lingga Salon

Components	Cost per year	Propose yourself
Ingredients	IDR 100.264.000	32,51%
Three employees	IDR 86.400.000	28,01%
Owner's compensation	IDR 36.000.000	11,67%
Rent	IDR 36.000.000	11,67%
Electricity and water	IDR 19.150.000	6,21%
Other costs	IDR 30.600.000	9,92%

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Total	IDR 308.414.000	100,00%

Revenue, Costs, and Actual Profit

Actual profit is calculated as the difference between revenue and actual operating expenses. With revenue of IDR 398,820,000 and expenses of IDR 308,414,000, Lingga Salon's actual profit reaches IDR 90,406,000. The actual profit margin is 22.67% of revenue.

These results show that business activities have generated profits, but actual margins have not reached the 25% profit target used in the analysis. The difference between actual and target margins is a reason to evaluate the cost structure. The study does not propose an increase in service prices as the main step, but rather assesses the possible efficiency of the cost component that can be controlled.

Table 6. Summary of Revenue, Actual Operating Costs, and Actual Profit of Lingga Salon

Indicator	Value
Revenue	IDR 398.820.000
Actual operating costs	IDR 308.414.000
Actual profit	IDR 90.406.000
Margin good current	22,67%

Determination of Profit Target

The profit target is set at 25% of total revenue. The calculation is carried out as follows: Profit Target = 25% × IDR 398,820,000 = IDR 99,705,000. Thus, Lingga Salon is expected to earn a profit of at least IDR 99,705,000 at the same income level.

The determination of a profit target of 25% is a parameter used in the research. In real application, the owner needs to reassess the feasibility of the target by taking into account the need for working capital, competitive conditions, changes in material prices, service capacity, and investment needs. This article maintains the target used in the thesis so that the calculation results remain consistent with the source.

Target Cost Calculation

Target cost is calculated by subtracting the target profit from revenue. Target Cost = IDR 398,820,000 – IDR 99,705,000 = IDR 299,115,000. This value is the maximum limit of operational costs allowed so that the 25% profit target can be achieved, assuming revenue does not change.

Cost Gap Measurement

The cost gap is calculated by subtracting the target cost from the actual operational costs. Cost Gap = IDR 308,414,000 – IDR 299,115,000 = IDR 9,299,000. A positive value indicates that the actual cost is still higher than the maximum allowable cost. Thus, Lingga Salon requires a cost reduction of at least IDR 9,299,000 to achieve the profit target.

When compared to actual costs, the minimum efficiency requirement is around 3.02%. This figure shows that the cost gap can be closed through relatively limited savings compared to total costs. However, the cost gap value is a measure of efficiency needs, not evidence that automatic savings can be realized. Managers still need to identify cost components, assess the feasibility of actions, and monitor the results.

Table 7
Summary of Profit Targets, Cost Gap, and Minimum Required Cost Efficiency at Lingga Salon

Remarks	Value
Total revenue	IDR 398.820.000
Profit target	25%
Target laba (rupiah)	IDR 99.705.000
Target cost	IDR 299.115.000
Actual cost	IDR 308.414.000
Cost gap	IDR 9.299.000
Minimum efficiency	3,02%

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Initial Interpretation

The calculation results show that the costing target changes historical cost information to a profit-oriented cost limit. Before the target was set, the figure of IDR 308,414,000 only showed the amount of expenditure that occurred. After comparing it with the target cost, the figure shows the need for action of IDR 9,299,000. This information is more operational for the owner because it can be used to determine control priorities.

In service businesses, efficiency decisions need to consider the relationship between cost and quality. Labor costs cannot be treated simply as a number that can be cut because skills and labor availability affect service capacity. Therefore, further analysis is directed at the component of materials and supporting costs that still have a control room.

Application of Value Engineering

After the cost gap was known, the study evaluated several cost components through a value engineering approach. The components analyzed were salon materials, electricity and water, maintenance, cleanliness, administration/promotion, and internet. The percentage of efficiency used in each component is a savings scenario in the thesis.

Table 8
Value Engineering Analysis of Cost-Saving Opportunities by Cost Component at Lingga Salon

Components	Biaya aktual	Asumsi efisiensi	Penghematan
Bahan salon	IDR 100.264.000	6%	IDR 6.015.840
Listrik dan air	IDR 19.150.000	10%	IDR 1.915.000
Pemeliharaan	IDR 6.300.000	10%	IDR 630.000
Kebersihan	IDR 4.200.000	5%	IDR 210.000
Administrasi/promosi	IDR 7.500.000	12%	IDR 900.000
Internet	IDR 3.600.000	5%	IDR 180.000
Total	IDR 141.014.000	—	IDR 9.850.840

The total cost of the six components evaluated is IDR 141,014,000. The total projected savings are IDR 9,850,840. The value of the savings is greater than IDR 551,840 than the cost gap of IDR 9,299,000. Mathematically, the savings scenario meets the cost needs needed to achieve the profit target.

Salon Material Efficiency

Salon materials are the largest cost component, which is IDR 100,264,000 or 32.51% of total operational costs. An efficiency scenario of 6% results in savings of IDR 6,015,840. Strategies that can be considered include setting material usage standards for each service, recording of materials used, controlling product residues, purchasing in economical quantities, and comparing prices between suppliers.

Material standardization needs to be arranged based on the technical needs of each service. The dosage of hair dyes, treatment creams, hair spa products, smoothing drugs, and facial ingredients cannot be equalized. The use of standards helps detect overuse, but it must still allow for a variety of customer needs and product recommendations.

Electricity, Water, and Maintenance Efficiency

The cost of electricity and water of IDR 19,150,000 is evaluated assuming an efficiency of 10%, so that the potential savings reach IDR 1,915,000. Savings can be made through the discipline of turning off equipment when not in use, regulating the use of air conditioners, hair dryers, steamers, and hair straighteners, and using water according to service needs. Monitoring monthly bills can help owners assess whether these steps result in changes.

A maintenance cost of IDR 6,300,000 is assumed to be 10% efficiency or IDR 630,000. The recommended approach is preventive maintenance, which is periodic checks and maintenance before equipment is damaged. Preventive maintenance can help reduce service interruptions and unplanned repair costs. Efficiency does not mean delaying repairs related to the safety or function of the tool.

Cleanliness, Administration, Promotion, and Internet Efficiency

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The cleaning cost of IDR 4,200,000 is assumed to be 5% efficiency or IDR 210,000. Savings can be obtained through controlling the supply of cleaning supplies, using them according to standards, and planned purchases. Salon hygiene standards must be maintained because they are related to customer comfort and trust.

An administrative/promotional fee of IDR 7,500,000 is assumed to be 12% efficiency or IDR 900,000. Managers can evaluate the effectiveness of each promotion channel, prioritize measurable digital media, and use direct communication with customers to convey service information. Promotional expenses that cannot be linked to results need to be reviewed, not immediately stopped without evaluation.

The internet cost of IDR 3,600,000 is assumed to be 5% efficiency or IDR 180,000. Evaluation can be done by reviewing the service package and the suitability of capacity with business needs. The reduction of the package must not interfere with transactions, customer communication, or digital promotional activities.

All of these actions place efficiency as an improvement in the way of using resources, not a reduction in quality. Implementation needs to be accompanied by monitoring and documentation indicators so that the projected savings can be compared with the realization.

Simulation Results After Efficiency

The total projected savings through value engineering are IDR 9,850,840. Operational costs after efficiency are calculated by subtracting the actual cost with these savings, which is IDR 308,414,000 – IDR 9,850,840 = IDR 298,563,160. This value is IDR 551,840 below the target cost of IDR 299,115,000.

Assuming fixed income of IDR 398,820,000, profit after efficiency will be IDR 100,256,840. Profit margin after efficiency reaches 25.14%. An increase in profit of IDR 9,850,840 compared to actual profit is equivalent to an increase of 10.90%. The percentage of cost efficiency is calculated at IDR 9,850,840 divided by IDR 308,414,000, which is around 3.19%.

Table 9
Comparison of Financial Performance Before and After the Value Engineering Efficiency Scenario at Lingga Salon

Indicator	Before	After efficiency scenarios
Revenue	IDR 398.820.000	IDR 398.820.000
Operating costs	IDR 308.414.000	IDR 298.563.160
Profit	IDR 90.406.000	IDR 100.256.840
Profit margin	22,67%	25,14%
Cost efficiency	—	3,19%
Increase in profit	—	10,90%

The simulation results show that the cost target was achieved in the calculation. The cost after efficiency is below the cost target, so the profit generated slightly exceeds the target of 25%. This finding is based on the assumption of fixed income and the proposed savings. Therefore, the profit figure after efficiency should be understood as the result of the simulation, not a report of financial realization after the action has been implemented.

Not Reducing the Number of Workers

The efficiency scenario maintains the cost of three employees of IDR 86,400,000 and the owner's compensation of IDR 36,000,000. Thus, the savings are not directed at reducing labor. The decision is in accordance with the character of the service business which depends on the skills, time, and direct interaction of the workforce with the customer.

Discussion

Target Costing sebagai Alat Perencanaan Biaya

The research findings indicate that target costing provides a more structured framework for Lingga Salon management in planning costs. The actual cost of IDR 308,414,000 represents the expenses incurred, while the target cost of IDR 299,115,000 establishes the maximum cost limit that

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must be achieved to obtain a profit margin of 25% of revenue. The difference between these two figures results in a cost gap of IDR 9,299,000.

The target cost information helps the owner translate profit objectives into expenditure limits. In this way, decisions regarding material purchases, utility consumption, maintenance, and promotion can be evaluated based on their contributions to achieving cost targets. Target costing therefore serves not only as a tool for calculating profits at the end of a period but also as a reference for cost control throughout the operating period.

These findings are consistent with the discussion in the thesis, which relates target costing to the research conducted by Mahsunah and Hariyati (2021) on the role of target costing in increasing the profitability of MSMEs, as well as other studies that combine target costing with value engineering. The common finding is that establishing cost limits and identifying cost-saving alternatives provide direction for cost management. However, these comparisons should be interpreted within their respective contexts, as the research objects and cost structures differ across studies

Value Engineering

Value engineering is a mechanism to follow up on the cost gap. Target costing identifies the amount of cost reduction required, while value engineering helps identify areas of savings that can be considered. In the case of Lingga Salon, salon materials contribute the most savings because they are also the largest cost component.

This approach emphasizes evaluating functions, not cutting costs evenly. The materials used in the service must remain in accordance with the needs and quality standards. Similarly, the cost of cleaning, maintenance, and the internet has functions that support operations. Efficiency is directed at waste, suboptimal usage, supplier choice, and suitability of service packages.

Material Cost Efficiency

Material costs reached IDR 100,264,000 or 32.51% of total operating costs. The 6% savings scenario resulted in IDR 6,015,840, which is the largest part of the total planned savings. This large contribution shows that material usage is a priority area of control. Managers can standardize material quantities for each type of service, measure actual usage, and compare the differences.

The application of standards should not be rigid. Customer conditions and needs may differ so material usage needs to be professionally adjusted. A record of material usage per service can help separate normal usage from waste. Managers can also evaluate suppliers based on a combination of price, quality, consistency, availability, and delivery time.

Maintaining Service Quality and Capacity

One of the important outcomes of the scenario is that efficiency can be directed without reducing the number of workers. The cost of three employees and the owner's compensation are maintained. In salon businesses, a reduction in labor can reduce service capacity, extend waiting times, and disrupt relationships with customers. Therefore, a more appropriate strategy is to improve the use of materials and supporting costs.

Owner involvement in services provides an opportunity to monitor material usage and productivity directly. In periods with higher customer volumes, owner involvement can help with additional capacity without having to immediately add to the permanent workforce. However, the owner's contribution still needs to be compensated so that the profit calculation reflects the cost of the resources used.

Impact on Profit

The simulation showed that profit increased from IDR 90,406,000 to IDR 100,256,840. The increase was IDR 9,850,840 or 10.90%, while the profit margin increased from 22.67% to 25.14%. The increase in profit came from the reduction of costs assuming revenue did not change. Thus, the increase in profit did not depend on an increase in service prices or an increase in transaction volume in the simulation. This impact shows that relatively small savings relative to total costs can result in significant changes in profit. However, these results are sensitive to the realization of savings and revenue stability. If savings are not achieved or the quality of service decreases so that customers are reduced, the actual results may differ from the simulation.

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Managerial Implications

First, the owner needs to set a profit target and cost limit at the beginning of the period. Second, costs are recorded in detail according to the type and time of expenditure. Third, the standards of material usage are compiled based on the type of service. Fourth, purchases and suppliers are evaluated periodically. Fifth, electricity, water, and equipment usage is monitored. Sixth, promotions are evaluated based on observable results. Seventh, efficiency results are reviewed monthly or quarterly.

Owners can use a simple monitoring sheet that contains budgets, realizations, differences, causes of discrepancies, corrective actions, and those in charge. For material costs, recording can be supplemented with service volumes so that costs per transaction can be monitored. For utility costs, monthly bills can be compared to the number of operational days or the number of transactions, making changes in usage easier to interpret.

The implementation of target costing needs to be carried out as a continuous cycle. After one period is completed, the target and realization are evaluated, then the standard is updated based on changes in material prices, utility rates, type of service, and demand conditions. The target should not be maintained mechanically if business conditions change materially.

Comparison with Previous Studies

The thesis cites the research of Mahsunah and Hariyati (2021), Sari and Martadinata (2023), Mediaty et al. (2024), as well as other research that discusses costing targets and cost efficiency. In general, the literature referenced in the thesis supports the use of costing targets to establish permissible costs and encourage savings. The research on Lingga Salon adds the context of the beauty service business, with attention to care materials, labor, utilities, and supporting costs.

The empirical contribution of this article lies in the detailed calculation of the cost gap and the simulation of savings based on several cost groups. However, comparisons with previous studies cannot be used to state that the efficiency of Lingga Salon is higher or lower because the data across studies are not compiled on a uniform basis.

Critical Evaluation of Results

There are several aspects to consider in reading the results. First, the 25% profit target is treated as an assumption or target policy in the analysis. The research does not present market testing that proves that the target is the optimal profit rate. Second, the percentage savings in the value engineering table is an estimate or scenario. To ensure the actual benefits, salons need to implement actions and compare cost realizations before and after implementation.

Third, revenue is assumed to be fixed when calculating profit after efficiency. This assumption is useful for isolating the impact of cost savings, but real conditions can change if material, promotion, or service policies affect demand. Fourth, data is a case study of one business so its application to other salons needs to be adjusted to the scale of the business, service mix, price, and cost structure.

Fifth, more detailed cost recording will improve the quality of decisions. The actual cost table in the thesis groups a number of expenses into aggregate categories. Meanwhile, value engineering analysis uses subcomponents such as maintenance, cleanliness, administration/promotion, and internet. For implementation, these subcomponents need to be supported by consistent transaction evidence and reconciled with total costs.

Data Consistency and Editorial Notes

Before submission to the journal, the author needs to double-check the data period. The thesis document states that the research was conducted in 2026, but the monthly table covers January to December. Because the date of preparation of the thesis is listed as September 2026, it is necessary to ascertain whether the 12-month data is a period of the previous year, a projection period, or another range. This article deliberately does not assign a calendar year unilaterally.

Authors also need to double-check the entire bibliography from the original source. Some entries in the thesis bibliography appear incomplete in the journal metadata, book title, publisher name, or DOI. Bibliographic information should not be completed based on estimates. The bibliography in this article maintains recognizable references from the thesis and must be verified prior to publication.

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With this note, the research results can still be used as the basis for scientific manuscripts, but the status of being ready to send to journals requires period verification, data evidence, completeness of references, author identity, and suitability of journal templates.

V. CONCLUSIONS

Conclusion

Based on the results of the analysis, the actual operating costs of Lingga Salon during the 12-month period presented in the thesis amounted to IDR 308,414,000. Revenue was recorded at IDR 398,820,000 so that the actual profit reached IDR 90,406,000 with a margin of 22.67%. The largest cost component was salon materials of IDR 100,264,000 or 32.51% of the total cost, followed by the cost of three employees of IDR 86,400,000 or 28.01%. With a profit target of 25% of revenue, the targeted profit is IDR 99,705,000. The allowable target cost is IDR 299,115,000. Comparison with the actual cost results in a cost gap of IDR 9,299,000 or a minimum efficiency requirement of around 3.02%.

The value engineering analysis identified potential savings of IDR 9,850,840 from salon materials, electricity and water, maintenance, cleaning, administration/promotion, and internet. In the simulation, operational costs decreased to IDR 298,563,160 or IDR 551,840 lower than the target cost. Profit increased to IDR 100,256,840 with a margin of 25.14%. Cost efficiency reached 3.19%, while profit increased compared to actual conditions by 10.90%.

Thus, the target costing supported by value engineering has the potential to be a tool for planning and controlling operational costs for Lingga Salon. Savings can be directed to the use of materials and supporting costs without reducing the number of labor, increasing service prices, or ignoring the quality of service. This conclusion applies as a result of analysis and simulation based on thesis data, not evidence of the realization of savings after implementation.

Suggestions

Lingga Salon is advised to implement costing targets periodically as part of cost planning and control. Owners can set profit targets, calculate cost limits, and then compare cost realization on a monthly or quarterly basis. Material control needs to be a priority through usage standards per service, inventory recording, supplier evaluation, and planned purchases.

Utility, maintenance, cleanliness, promotion, and internet efficiency need to be implemented selectively. Owners should evaluate material quality, equipment safety, customer comfort, and promotional results before changing expenses. Cost reductions that impact service quality should be avoided.

Subsequent research may test the realization of savings after implementation, use longer period data, compare multiple salons, or develop a cost analysis per type of service. Follow-up research can also measure the impact of efficiency on customer satisfaction and transaction volume.

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