

## Accompaniment in Determining the Cost of Goods Sold (COGS) And Product Branding at D'zegerr As a Micro Small and Medium Enterprise

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### Volume

5

### Issue

2

### Edition

November

### Page

662-672

### Year

2024

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### Article History

Submission: 21-6-2024

Review: 27-08-2024

Accepted: 13-10-2024

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### Keyword

Cost of Goods Sold (COGS);

Product Branding;

MSME;

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### How to cite

Puspitasari, R., Tiara Shanty, R. N., Prayudanti, A. A. (2024).

Accompaniment In Determining the Cost of Goods Sold (COGS) And Product Branding at D'zegerr As a Micro Small and Medium Enterprise. Jurnal Pengabdian Masyarakat, 5(2), 662-672

<https://doi.org/10.32815/jpm.v5i1.22>

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### Abstract

**Purpose:** This study aims to assist the MSME "D'Zegerr" in improving their Cost of Goods Sold (COGS) determination, product branding, and social media optimization. Established during the Covid-19 pandemic, "D'Zegerr" produces traditional herbal drinks but faces challenges in accurately calculating COGS and creating a strong brand presence.

**Method:** Analyzing current production costs, refining the COGS calculation using the Full Variable Costing method, improving product branding with a suitable slogan and packaging, and optimizing social media usage.

**Practical Applications:** Practical applications of the study include helping the business better understand cost components, enhance brand identity, and increase engagement on social media platforms.

**Conclusion:** The results show that by recalculating the COGS, "D'Zegerr" can price their products more accurately, ensuring a fair profit margin. Additionally, the adoption of the slogan "Your health comes first" and the use of social media for brand promotion have increased customer awareness, positioning the MSME for greater market success.



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## **Introduction**

The Covid-19 pandemic had an extraordinary impact on all aspects, including the economic aspect. One of the economic impacts felt by the Indonesian people was the mass layoffs of factory workers in Indonesia. This was also experienced by our Micro, Small, and Medium Enterprises (MSME) partner, who eventually had to shift to the culinary world due to the Covid-19 pandemic by opening a traditional beverage business named "D'Zegerrr" in 2020.

The MSME "D'Zegerrr" was established in 2020. It is located at Jl. Pulo Wonokromo 225, Surabaya. It produces packaged traditional herbal drinks such as turmeric tamarind, butterfly pea lemon, beras kencur, roselle, alang-alang root, and empon-empon, which are sold conventionally by distributing them to nearby stalls. In addition to the above products, since October 2020, herbal powder has also been produced and sold both conventionally and online at <https://shp.ee/nuumrvt>. However, the number of products sold is still low. This is partially due to the owner's lack of knowledge in determining the Cost of Goods Sold (COGS) for their products.

The Cost of Goods Sold (COGS) determination for the MSME is calculated by summing all the costs of raw materials, packaging costs, LPG costs, and the desired margin. This calculation is not appropriate for determining the COGS when adjusted according to the economic approach.

D'ZEGERRR as a MSME also faces challenges in product branding. The public's preference for modern packaged drinks, such as soda, tea, coffee, and others, makes it difficult for them to establish their product branding. Product branding involves the use of names, terms, symbols, or designs to give a unique identity to products in the market. D'ZEGERRR must be able to create branding with the theme of packaged health drinks. A product concept that contradicts public preferences will require significant effort to socialize and educate the public that they also need to consume health drinks.

## **Method**

The approach to addressing priority issues at UMKM D'ZEGERRR consists of several phases. First, the team identifies problems within the production process, management, marketing, and market conditions. This is followed by an in-depth analysis of each identified problem to understand its root causes and implications. Then, solutions and plans are implemented to address these issues, accompanied by training and assistance provided to the team. Finally, regular monitoring and evaluation are conducted to ensure that the implemented solutions are effective and align with the business goals.

The first solution focuses on helping in determining the Cost of Goods Sold (COGS). This involves identifying production costs, including raw materials, direct labor, and overhead expenses. Support is given to help calculate COGS accurately, resulting in a reliable calculation that D'ZEGERRR can use to set appropriate pricing.

The second solution addresses the evaluation and improvement of the business's logo, sticker, and product slogan. This begins with identifying and analyzing the product's underlying philosophy. The product packaging is then evaluated to ensure it aligns with this philosophy. Additionally, a compelling slogan is created to resonate with customers. The goal is to have an improved and memorable logo, making it easier for customers to recall the brand.

The third solution aims to optimize the business's existing social media presence. This includes developing a structured and consistent social media strategy, evaluating and auditing current content, and incorporating the updated logo and slogan into social media posts. Furthermore, there is an emphasis on maintaining consistency in social media usage. The expected outcome is to enhance the effectiveness of social media as a tool for brand awareness and customer engagement.

## Result

D'ZEGERRR sets the price of its products at Rp10,000.00 for bottled drinks and Rp23,000.00 for packaged powder products. This encourages a re-evaluation of the pricing for UMKM D'ZEGERR products. Nearly 100% of MSME entrepreneurs do not fully grasp the concept of COGS calculation. The product we are assisting with a re-calculation of COGS is the packaged powder product, currently priced by UMKM at Rp23,000.00. UMKM D'ZEGERR plans to export its products to countries like Malaysia and Singapore, thus it is proposed to conduct a re-calculation for this product.

The definition according to (Mulyadi, 2017) is "The cost of production is a number of costs incurred to process raw materials into finished products that are ready to be sold". Production costs, namely all costs related to production functions or raw material processing activities to completion (Abdullah, 2018). Production costs consist of:

- a. Raw material costs are the acquisition prices of raw materials used in product processing.
- b. Direct labor costs are remuneration provided to factory employees whose benefits can be identified or traced to certain products produced by the company.
- c. Factory overhead costs are production costs other than raw material and direct labor costs.

The method for calculating the cost of production is a way of considering elements of production costs in the cost of production. In calculating cost elements into the cost of production, there are two approaches, namely the Full Costing method and the Variable Costing method. The main difference between the two methods lies in the treatment of production costs which are fixed and will have an impact on the calculation of the product cost and presentation of the profit and loss statement.

(Mulyadi, 2017) states that the Full Costing method is a method of determining production costs that considers all elements of production costs into production costs, which consist of raw material costs, direct labor costs and factory overhead costs, both variable and fixed. From the definition above, it can be concluded that the HPP calculation using the Full Variable Costing method is as follows:

Figure 1. HPP Calculation Formula

Bahan Baku Langsung	XXX	
Tenaga Kerja Langsung	XXX	
Overhead Tetap	XXX	+
<b>Harga Pokok Produksi</b>	<b>XXX</b>	

From the explanation above, we can map what costs are contained in D'ZEGERR MSME products and the appropriate method for calculating the Cost of Production used by D'ZEGERR MSMEs. After conducting observations and interviews, the appropriate COGS calculation for D'ZEGERR MSMEs is to use the Full Variable Costing method, where all elements of overhead costs are included in COGS, this is because there are not too many nominals or costs contained in the Overhead costs for this product. Therefore, the following are the results of the HPP calculation using the Variable Full Costing method, for packaged powder products which were initially set at a price of IDR 23,000.00.

This calculation was obtained from interviews with D'ZEGERR MSME owners. Where MSMEs can produce 19 pounds of drink powder in 1x production within 25 working days. After reviewing it, it turns out that the results of calculating the cost of production using the rules and basis for calculating HPP accounting using the Full Costing method are worth Rp. 15,717.11/pouch or if rounded up to Rp. 16,000.00/pouch while D'ZEGERR MSMEs set

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the price at Rp. 23,000 .00 with an estimated profit of 10% from each product.

From the results of calculating COGS using correct accounting principles and calculation principles, it turns out that the profit obtained by MSME D'ZEGERR is more than 10%, but 46%. This makes D'ZEGERR MSME entrepreneurs more enthusiastic in running their business and production, and more confident in further developing their business overseas. And from this assistance in calculating COGS, D'ZEGERR MSME business actors know the components in determining COGS and know the profit from each product.

*Table 1. COGS Table*

No	Keterangan	Kebutuhan		Harga	Total
<b>1</b>	<b>Bahan Baku</b>				
	Jahe Merah	1,40	Kg	35.000,00	875.000,00
	Jahe Emprit	1,00	Kg	35.000,00	875.000,00
	Sereh	0,25	Kg	4.000,00	100.000,00
	Cengkeh	0,10	Kg	5.000,00	125.000,00
	Gula Pasir	4,00	Kg	15.000,00	1.500.000,00
	Air	3,00	Liter	3.000,00	75.000,00
	<b>Total Bahan Baku</b>				<b>3.550.000,00</b>
<b>2</b>	<b>Tenaga Kerja Langsung</b>				
	TKL	1	Bulan	1.500.000,00	1.500.000,00
	<b>Total Tenaga Kerja Langsung</b>				<b>1.500.000,00</b>
<b>3</b>	<b>Overhead</b>				
	<b>Overhead Tetap</b>				
	Listrik	1	bulan	700.000,00	700.000,00
	Sewa Tempat	1	bulan	1.000.000,00	1.000.000,00
	Penyusutan				488.125,00
	<b>Overhead Variabel</b>				
	Air PDAM	1	bulan	80.000,00	80.000,00
	LPG	5	Tabung	17.500,00	87.500,00
	Bensin	4	Kali	15.000,00	60.000,00
	<b>Total Overhead</b>				<b>2.415.625,00</b>
<b>Total Harga Pokok Produksi</b>					<b>7.465.625,00</b>
<b>Harga Pokok Per Pouch</b>					<b>15.717,11</b>

So far, D'ZEGERRR MSMEs use the name D'ZEGERRR as the product brand name while the name Ha Ray is the name of the product variant. Even though D'ZEGERRR still only has 1 product variant, namely health drinks (jamu), D'ZEGERRR is always optimistic that one day it will have other product variations with different variant names. This optimistic attitude means that D'ZEGERRR MSME owners cannot change the brand name as suggested by researchers.

Apart from the name having a philosophy, the name and logo of MSME D'ZEGERRR have also been registered at dgip.go.id or with the director general of intellectual property. In connection with this, one alternative solution for creating good product branding is by socializing and educating consumers and potential consumers about Ha Ray products from MSME D'ZEGERRR. According to (Swasty, 2016), what is included in branding strategy includes brand positioning, brand identity, brand personality, brand communication. The identity of a brand can be communicated through various media, such as sales promotions, direct marketing, events, corporate sponsorship, and through advertising (Aldila, 2015). Elements that can be displayed include product type, product function/benefits, product

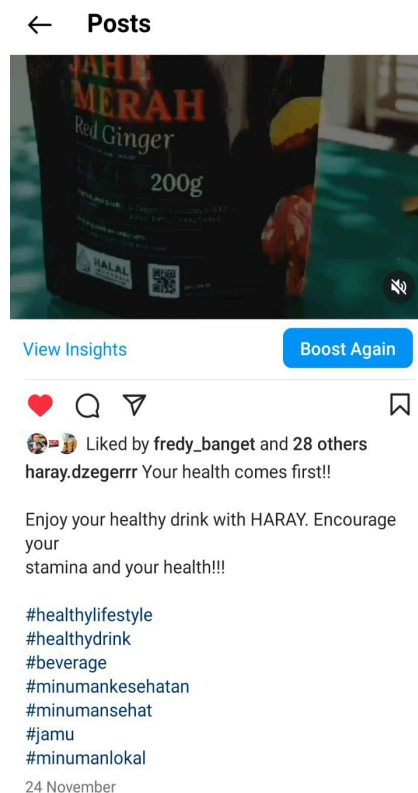
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advantages, attractive product appearance/visualization, slogan, etc.

D'ZEGERRR MSMEs so far do not have a slogan for their products. Our team proposed several alternative slogans that could be used, including:

1. Health Empowers you
2. Stay strong and live long
3. Your health comes first

Figure 2. Example of Diagram



The reason for offering an English slogan is because of the plans of the owner of MSME D'ZEGERRR to sell its products abroad. Based on the results of the discussion, the slogan that the D'ZEGERRR MSME owner considers appropriate is Your health comes first. This slogan has been implemented on D'ZEGERRR's social media content as seen in Figure 2.

Slogans are considered part of the identity, namely a short expressive sequence of words used to communicate the functional and emotional benefits of a company (Prihantini, 2015). According to (Nabillah, 2020), slogans composed of interesting words or text with their own meaning can influence a person's views or opinions regarding the information conveyed. The use of the slogan Your health comes first aims to encourage consumers to prioritize health by consuming Ha Ray health drinks.

Product branding also looks at the visualization elements/ overall packaging appearance of the product. The Ha Ray product packaging visualization uses a dominant black standing pouch with a picture of red ginger and red product variation writing. The choice of black in the packaging carries the philosophy of appearing elegant with a target market of middle to upper class consumers. This is in accordance with the plans of the D'ZEGERRR MSME owner who wants to expand their marketing area overseas. So, what really must be done consistently is to use slogans in every social media post/advertisement.

UMKM D'ZEGERRR previously had an account on Instagram social media with around 150 followers and 40 posts with a professional account type. However, in practice,

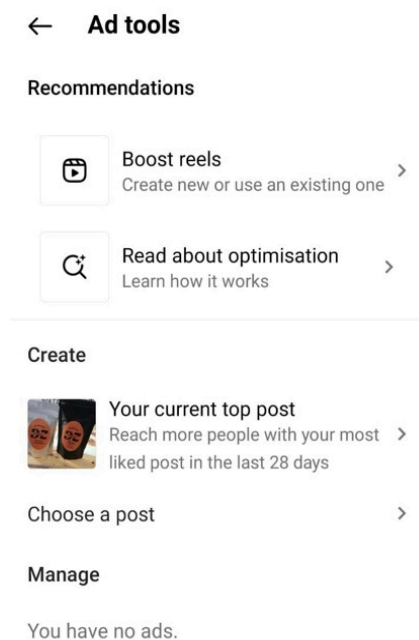
these MSMEs have not really utilized and optimized their Instagram social media. This can be seen in the analysis of the number of visits by visitors every day, the number of likes, the number of posts reaches and the number of consistent posts.

In this service, education was carried out for D'ZEGERRR MSME owners by explaining the importance of social media as a means for product promotion with a wider reach and in line with marketing targets. Optimizing Instagram social media is carried out with the aim of increasing the number of visitors, the number of Likes and the number of reach posts.

In general, the way to achieve the above goal is to utilize the advertising features on Instagram with a Professional (Business) Account. The steps to utilize and optimize this feature are:

1. Ensure that the account used on Instagram is a professional account
2. Prepare an interesting post explaining product branding. Posts can be images, images with audio, or short videos (reels). At this stage there are several things that need to be considered, namely:
  - a. Use interesting posts that describe the purpose of advertising. This means that if the advertised post is interesting, it will make the advert's audience curious, so they visit the Instagram account.
  - b. Posts used as advertisements, if in short video format (reels), must be in high resolution. This is a requirement for the media to be advertised.

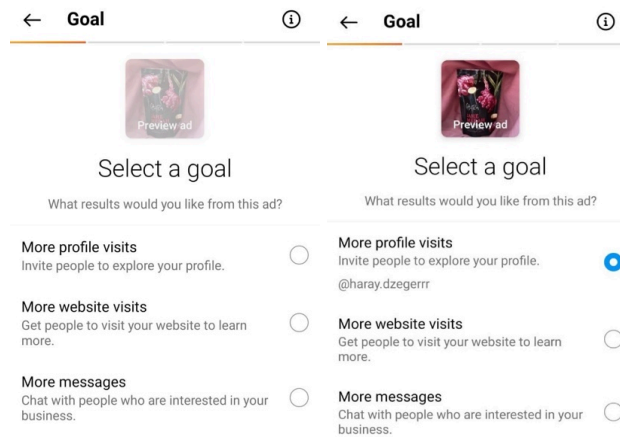
*Figure 3. Ad Tools*



3. When the post has been selected to be used as an advertisement, the next step is to choose the goal of the advertising. When advertising a post, the MSME must choose the goal, whether to get more profile visits, more website visits, or to get more messages and interact with people who are interested in the MSME business.

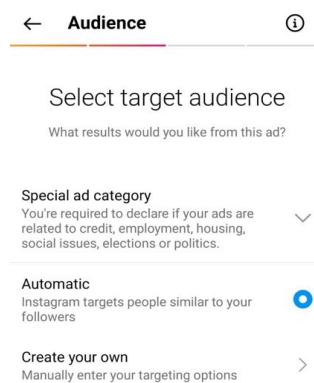
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Figure 4. Advertisement Goal Setting



4. The next step is to determine who the target audience is. Audience can be determined automatically by the system based on similarity to current followers. MSMEs can also determine manually based on the interests (liked characteristics of posts) of audiences.

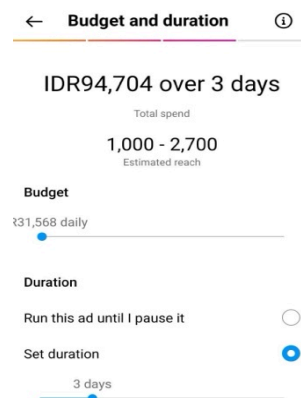
Figure 5. Audience Setting



5. The next step is to create an advertising budget. In the budget and duration feature, MSMEs can set the advertising budget and duration. This feature provides an estimated audience reach.

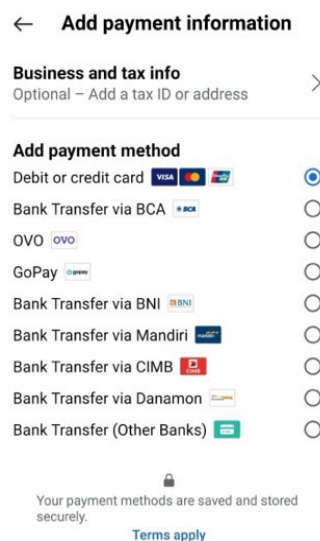
Figure 6. Budget Setting

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6. Then, if you have determined the budget and duration, then to be able to start advertising, you are required to pay according to the previously determined budget. On Instagram Ads there are several payment method options including using bank transfer, OVO, GoPay, Debit or Credit Card.

*Figure 7. Budget Setting*



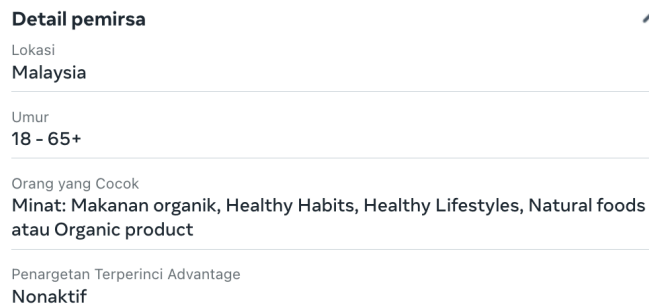
7. After completing payment, Instagram Ads will review the post used as an advertisement. This is to ensure that the selected post does not violate the policy or policies set by Instagram. In this step, you usually only must wait a few minutes until the ad is finally displayed.

The Instagram Ads feature is used by MSMEs to reach a wider audience. In this case, MSMEs target visitors who have an interest in organic food, Healthy Habits, Healthy Lifestyles, Natural foods, or Organic products with a target age range of 18 - 65+, and audiences located in Malaysia, in accordance with the export target.

*Figure 8. Instagram Ads Feature*



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## Discussion

After monitoring for several days, the results of the audience reach in the Malaysian location show that the city of Kuala Lumpur has the largest audience reach for this MSME Instagram account, namely 192 viewers. The advertisement was reached by 758 people, of which the largest audience was viewing the D'ZEGERRR UMKM Instagram homepage, followed by second place viewing Instagram Stories, and third place viewing Instagram Reels.

Figure 9. Instagram Ads Result

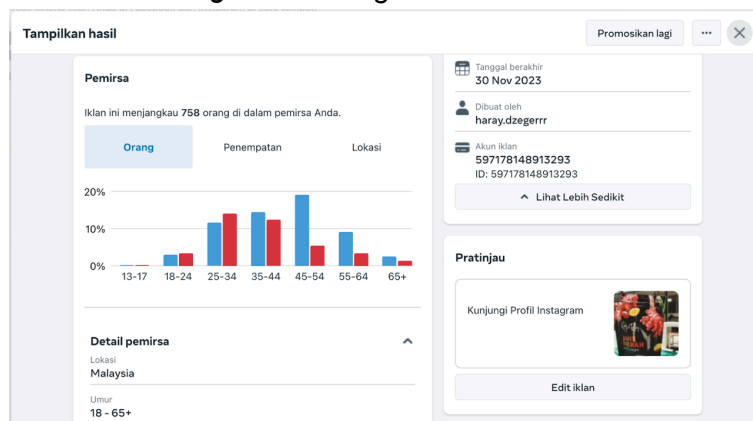
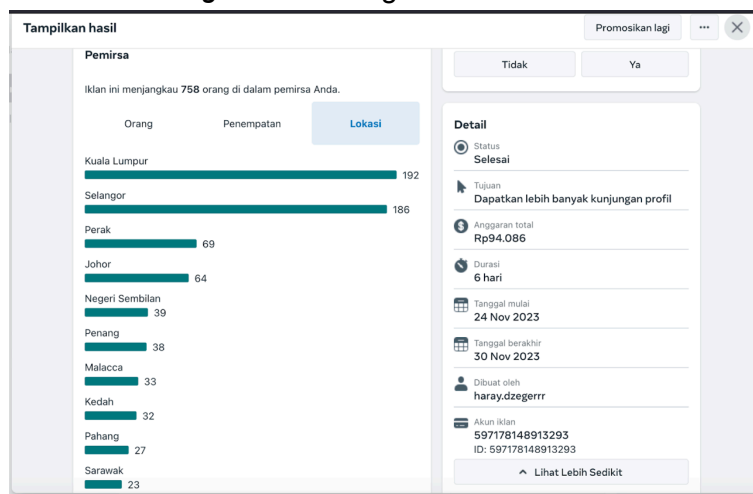


Figure 10. Instagram Ads Result



The following graph illustrates the comparison of the reach and visits of Instagram

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Profiles during the advertising period compared to the period after the end of advertising.

Figure 11. Visitors Comparison Graph

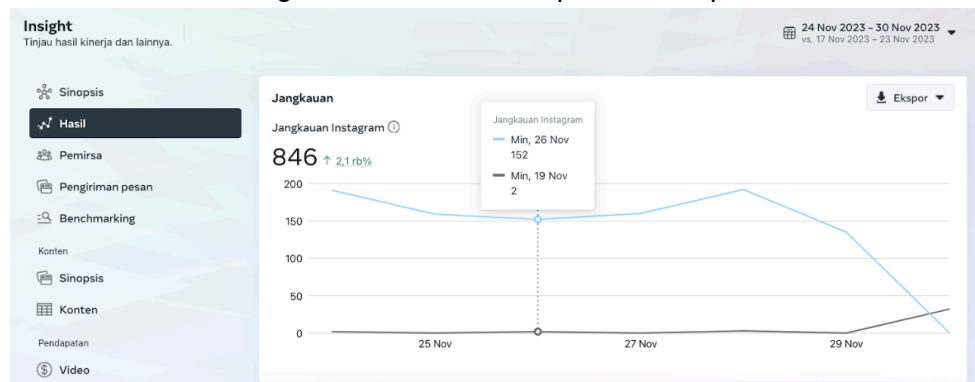
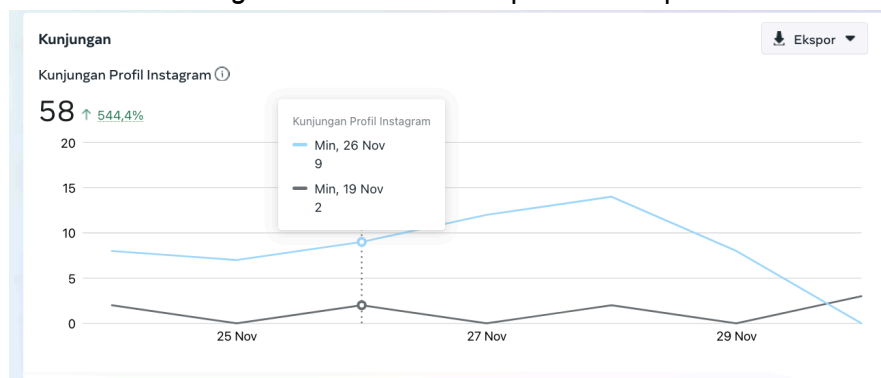


Figure 11. Visitors Comparison Graph



From the results of optimizing Instagram social media, there has been an increase in the influence of visits, reach, followers and likes. The next suggestions and recommendations for D'ZEGERRR MSMEs are:

1. Make consistent posts on Instagram social media. This aims to increase posts, be varied, and to make visitors more interested in becoming followers.
2. Make useful posts, especially tailored to the interests of the target audience. This aims to ensure that viewers who visit the UMKM D'ZEGERRR Instagram profile will be interested and ultimately become followers because there is a lot of useful content in it.

## Conclusion

The calculation of the Cost of Goods Production (HPP) for D'ZEGERRR MSME products uses the Full Variable Costing method, where all cost elements including overhead costs are included in the HPP. Where the manufacturer sets a price of IDR 23,000.00 with an estimated profit of 10% from each product, but after calculating correctly and using the right approach, namely the Full Costing method, the COGS for this MSME product is IDR 15,717.11/pound or if rounded up to IDR 16,000.00/pound. This means that MSME producers are not precise in determining the cost of production of their products.

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Slogans and product branding are important elements in a product, both in the visualization/appearance of packaging and product identity. Where the slogan and branding are expected to be able to describe the products produced and sold by a manufacturer. Where D'ZEGERRR MSMEs still don't have a strong slogan and product branding, so we helped to create a branding product. Your health comes first. Apart from that, we also encourage social media optimization here, such as Instagram, etc.

### Acknowledgements

We would like to extend our heartfelt gratitude to everyone who has contributed to the completion of this study, which aims to support MSME "D'Zegerrr" in enhancing its Cost of Goods Sold (COGS) calculation, product branding, and social media optimization.

Our sincere thanks go to those who provided invaluable insights and guidance, enabling us to analyze production costs, refine COGS calculation through the Full Variable Costing method, improve product branding with a suitable slogan and packaging, and optimize social media use. We are especially grateful for the support from the "D'Zegerrr" team, whose dedication and openness to change were instrumental in implementing these strategies.

The knowledge and experience gained from this study would not have been possible without the encouragement and contributions of all involved parties. Thank you for helping us realize this vision, which has empowered "D'Zegerrr" to establish a stronger brand presence, fair pricing, and an enhanced engagement with customers.

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