

***INCREASING MSMEs SALES THROUGH DETERMINING COST OF GOODS SOLD (COGS) AND DIGITAL MARKETING***

**PENINGKATAN OMZET UMKM MELALUI PENETAPAN HARGA POKOK PENJUALAN (HPP) DAN DIGITAL MARKETING**

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***Abstract***

*MSMEs have an important role in a nation's economy because of their contribution to national sales and employment. Moreover, the structure of business entities in Indonesia is still dominated by small and medium-sized enterprises (SMEs). Small- and medium-sized enterprises (SMEs) are compelled to compete on the global market due to the numerous blows from global competition and the prospect of recession. To increase the competitiveness of domestic MSMEs so that they can excel on the international stage, strategic and effective methods are required, such as implementing the marketing mix. Community service through a marketing mix strategy aims to increase MSMEs in Gresik Regency's comprehension of how to implement marketing mix strategies in order to prepare themselves for entry into the global market, which will result in increased sales. The method is implemented in three stages from March to October 2023: the preparation stage, the implementation stage, and the evaluation stage. The preparatory phase commences with routine coordination with partners and condition analysis. The implementation phase is subsequently executed via training, mentoring, question-and-answer sessions, and case discussions. In the evaluation phase, a pre-test, post-test, question-and-answer session, and questionnaire are utilized. Target partners are actively involved at all stages, so that the output targets can be achieved well. The implementation has resulted in an increase in MSMEs' knowledge of the marketing mix, which includes product, place, promotion, and price, as well as an increase in MSMEs' sales due to their increased global marketing reach. This community service also contribute to the achievement of Sustainable Development Goals 8 (Decent Work and Economic Growth) and 9 (Industry, Innovation, and Infrastructure).*

**Keywords:** *MSMEs; Marketing Mix; Sales; COGS; Digital Marketing.*

***Abstrak***

*UMKM memiliki peranan penting terhadap perekonomian suatu bangsa karena kontribusi terhadap pendapatan nasional dan penyerapan tenaga kerja. Apalagi apabila dilihat dari struktur unit usaha yang ada di Indonesia masih didominasi oleh UKM. Banyaknya hempuran dari luar baik persaingan global maupun ancaman resesi, memaksa UMKM untuk mempersiapkan diri berkompetisi dan bersaing pada pasar global. Diperlukan metode yang strategis dan jitu untuk meningkatkan daya saing UMKM dalam negeri agar mampu unggul di kancah internasional yakni dengan penerapan bauran pemasaran yang tepat. Tujuan dari pengabdian masyarakat melalui strategi bauran pemasaran ialah meningkatkan pemahaman*

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*UMKM di Kabupaten Gresik terkait strategi bauran pemasaran yang tepat guna mempersiapkan diri memasuki pasar global yang berujung pada peningkatan omzet. Metode dilakukan melalui tiga tahapan yakni tahap persiapan, tahap pelaksanaan, tahap evaluasi yang dilaksanakan sejak Maret – Oktober 2023. Tahapan persiapan diawali dengan melakukan analisis kondisi dan koordinasi berkala dengan mitra. Selanjutnya pada tahapan pelaksanaan dilakukan melalui sesi ceramah, tanya jawab, bedah kasus serta pendampingan. Tahap evaluasi dilakukan melalui pretest, posttest, diskusi tanya jawab, dan kuesioner. Mitra sasaran dilibatkan secara aktif pada keseluruhan tahapan, agar target luaran dapat tercapai dengan baik. Hasil dari pelaksanaan menunjukkan bahwa UMKM mengalami peningkatan pengetahuan terkait bauran pemasaran yang meliputi product, place, promotion, dan price serta peningkatan omzet UMKM dengan semakin luasnya jangkauan pemasaran global. Kegiatan pengabdian masyarakat ini juga mendukung ketercapaian SDG's no 8 Decent Work and Economic Growth dan SDG's no 9 Industry, Innovation and Infrastructure.*

*Kata kunci: UMKM; Bauran Pemasaran; Omzet; Harga Pokok Penjualan; Pemasaran Digital.*

## INTRODUCTION

In the midst of a global economic slowdown and the threat of recession, small and medium-sized enterprises (SMEs) always arise as a savior sector. The critical function of small and medium-sized enterprises is to stimulate the local economy and revitalize local businesses. According to data from the Ministry of Cooperatives and SMEs, 58 million business activities are self-employed, and approximately 1.65% of the population are entrepreneurs from small enterprises. The strategic position of small and medium-sized enterprises (SMEs) in Indonesia's economic structure is accentuated by the fact that 99.9% of business units in Indonesia are SMEs and they employ nearly 97% of the Indonesian workforce (Masduki, 2022). In order to combat stagflation, the government has implemented a number of legal supports to promote the growth of small and medium-sized enterprises (SMEs). Additionally, the interest rate on People's Business Credit (KUR) has been drastically reduced from 22% in 2014 to 3% in 2022 (Hartanto, 2022). From an internal perspective, MSMEs must also improve in order to combat the threat of a recession, given that they are anticipated to be an effective remedy for a recession, as was the case in 1988 (Susilawati, 2022). fundamental knowledge of management and fundamental knowledge of entrepreneurship are the primary prerequisites for entrepreneurship. Entrepreneurs who have a fundamental understanding of management, organization, and systems will avoid business failure and risk management. Even the smallest business requires effective management to ensure that the marketing, production, distribution, and sales processes operate smoothly. A poor management system will lead to unnecessary expenditures and numerous organizational issues.

Entrepreneurs must acquire a fundamental understanding of entrepreneurship and basic management skills in order to avoid taking management risks that result in business failure. Current economic dynamics produce a variety of business difficulties. In addition, the perspective of millennial consumers is entirely distinct from that of market leaders who have dominated for many years. (Nurendah & Mekaniwati, n.d.), due to the disruption of the business world, millennials can acquire products and services much more cheaply through non-traditional channels, despite having less purchasing power than the generations that came before them. Therefore, the marketing aspect is extremely essential. In terms of marketing and sales, a company's performance can be improved through the provision of consumer-pleasing goods, the determination of the optimal price,

the selection of the optimal location and distribution channels, and the implementation of the ideal advertising campaign. (Kotler & Keller, 2015).

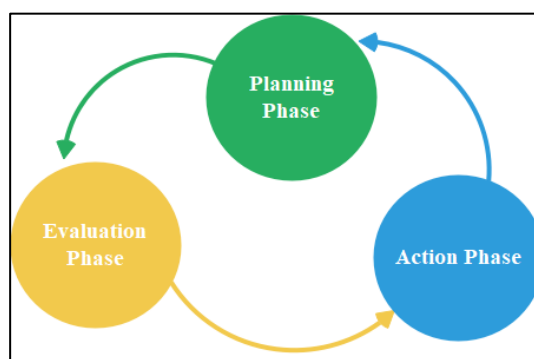
Gresik Regency MSMEs that are also members of the Gresik Business Pioneer Community have an urgent need for an expansion of their entrepreneurial knowledge. Despite the efforts of the Gresik Regency Government and relevant stakeholders to support micro, small, and medium enterprises (MSMEs) via the Nawa Karsa 3B (Defend, Buy, Share) initiatives, entrepreneurs continue to face obstacles in the expansion of their companies. Challenges encountered encompass the following: (1) product development to acquire a portion of the domestic and international markets; (2) ascertaining the accurate selling price and cost of goods sold; (3) choosing suitable distribution channels; and (4) formulating effective promotional strategies. The aforementioned challenges remain unresolved, impeding the competitiveness of their products on both domestic and international markets; consequently, they are unable to recover their pre-pandemic sales levels. Small-scale home industries with food and non-food business experience in the commerce and processing/manufacturing sectors comprise KPUG members. Most of the businesses that are members of KPUG are individual micro-enterprises that are not registered and have no legal entity. Most of the MSMEs do not yet have a clear management structure considering that the scope of the business is still small so it is run by the owner himself, starting from purchasing, producing, to marketing. The marketing strategy used is mostly word of mouth, some even door to door, but on the other hand, some MSMEs, but not many, have utilized marketing media in the form of social media and e-commerce, such as: Instagram, WA Business, Grabfood, and Shopeefood. As a result, the issue that MSMEs that are members of KPUG encounter can be characterized as a deficiency in comprehension and expertise concerning management and finance. This deficiency is exemplified by the subsequent primary concerns: Concerning the following, MSME participants remain perplexed: (1) how to develop products to capture national and international market share; (2) how to ascertain the optimal selling price and HPP for their products, particularly when implementing a discount promotion-based marketing mix; (3) how to choose the most suitable distribution channel; and (4) how to formulate an effective promotional strategy. Issues pertaining to product development, pricing, distribution channels, and product promotion strategies are at the heart of the crisis that necessitates an urgent resolution in order to reinstate MSME sales and enhance the global competitiveness of MSME products.

In addition, the deluge of globally available goods priced competitively is exerting pressure on business actors in the MSME sector. Furthermore, the absence of a scientific foundation for formulating calculations pertaining to internal issues concerning the determination of selling prices and COGS has led to inconsistent realization of anticipated profit margins. In order for micro, small, and medium-sized enterprises (MSMEs) to recover and increase their sales in the face of global market competition, the proper marketing mix formula is required. This is due to the fact that in the current era, customers are more engaged and inquisitive about novel concepts, and businesses are placing an emphasis on machine learning. (ML) for consumer psychology comprehension (Bheekhar, 2023).

## COMMUNITY SERVICE METHOD

This training and mentoring activity is divided into three major phases: planning, action, and evaluation. The implementation of these three phases will occur between March and October of 2023. The preparation phase begins by meeting administrative requirements, coordinating with partners on-site, conducting a situation analysis (partner profiling, production, and business management), and analyzing partner issues. Technically, preparations are made by conducting surveys at partner locations and having discussions with partners to determine their problems and requirements, as well as by involving partners in the preparation of training materials. The implementation phase employs lecture, question-and-answer, case study, and mentoring techniques, which are divided into three sessions:

1. **Session 1: Determining Cost of Goods Sold (COGS) Training**  
This training explains the pricing of products that attract consumers (price) accompanied by case examples.
2. **Session 2: Digital Marketing Training**  
This training explains product development from packaging and branding (product), distribution channels and selection of online media and market place (place), development of promotional strategies (promotion) accompanied by case examples.
3. **Session 3: Mentoring in Creating a Tiktok Account**  
This assistance helps MSMEs to market their products through the Tiktok platform as one of the market places that is trending and in demand by online customers.



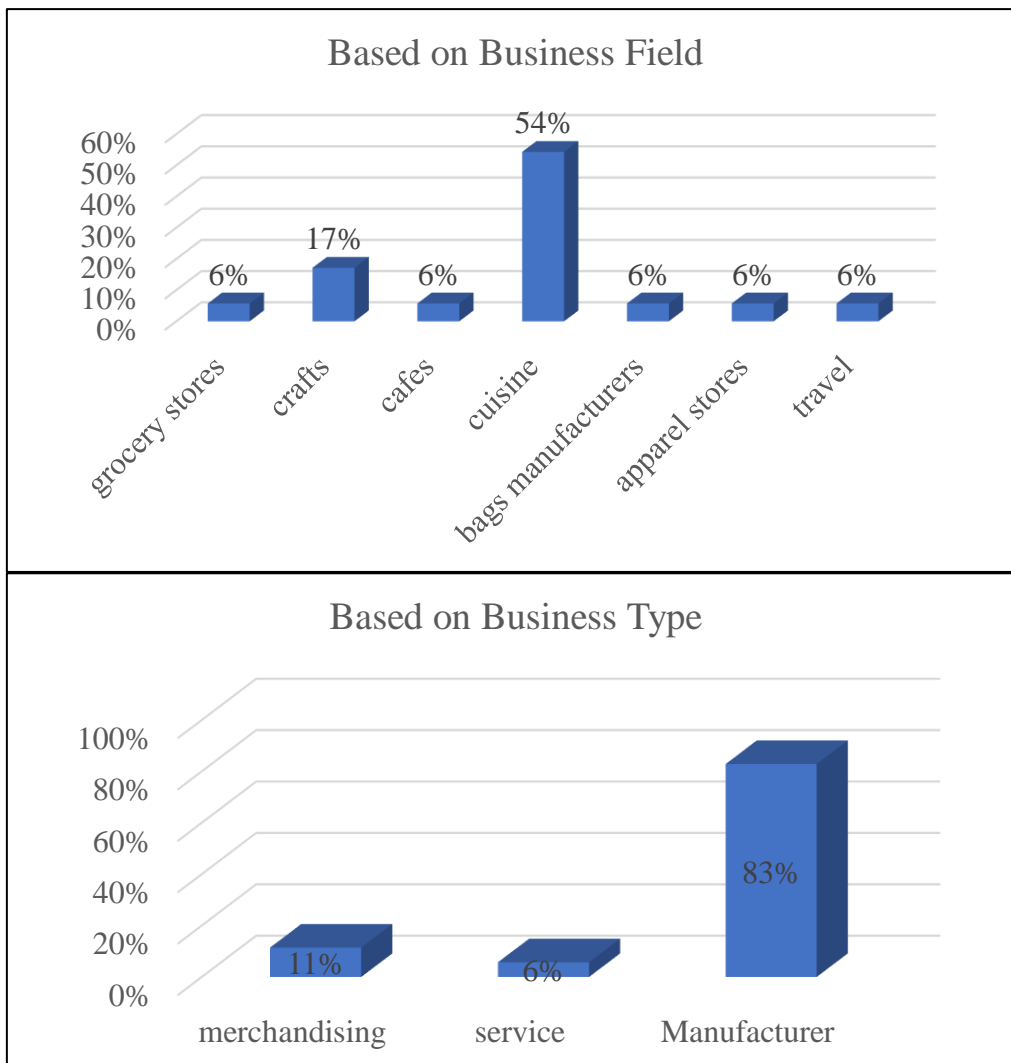
**Figure 1.** *Community service activity stage.*

Lecturers, students, and business actors are involved in the implementation of community service. Lecturers act as speakers at training and together with students provide assistance and counseling to business actors. In the evaluation phase, the success of this community service activity is determined using the following evaluation instruments: (1) Pre-Test and Post-Test, (2) a question-and-answer session at the end of each material-giving session, (3) the completion of questionnaires by participants as evaluation material, and (4) Message Impression.

## RESULTS AND DISCUSSIONS

This community service activity was carried out on Sunday, August 27 2023. The MSMEs that are the target of this partnership activity are MSMEs that are members of

KPUG with 35 business actors spread across the types of businesses such as grocery stores, crafts, cafes, food, bags, apparel stores, travel. This activity was carried out in the Koromi Cafe Hall, Gresik Regency.



**Figure 2.** Frequency Distribution of Participants in Community Service Programs in 2023.

### Planning Phase

Several remaining obstacles for MSMEs are categorized according to the following headings: (1) MSME product development (product); (2) determining MSME product prices (price); (3) selecting the appropriate location and distribution channels for MSMEs (place); (4) developing promotional strategies for MSME products (promotion). Problems with product development, pricing, distribution channels, and product promotion strategies are the core of the issue, which must be resolved immediately in order to restore MSME sales and make MSME products globally competitive. The KPUG MSME players and the community service team have identified immediate issues that must be addressed through training activities on Marketing Mix Development Strategy to Increase MSME sales of the KPUG Towards the Global Market, including training on determining the cost of goods sold and digital marketing, as well as assistance in creating a market place



(tiktok) account. Product is the variable in the e-marketing mix that has the greatest impact on MSMEs' competitive advantage in the e-marketplace (Fachriyan et al., 2022). The sales process is the most essential component of the marketing mix and the greatest contributor to consumer satisfaction. Price, place, purchasing environment and promotion can be described as the keys to achieving competitive advantage (Tiganis et al., 2023). This community service activity contributes to the attainment of Sustainable Development Goals No. 8 Decent Work and Economic Growth and No. 9 Industry, Innovation, and Infrastructure. Gresik Regency Government assistance has been pouring in to help KPUG MSMEs compete on the global market by providing a souvenir center location in the Gresik Square area for MSME products and conducting regular polls with business actors in the hope of restoring the condition of MSMEs. in the new normal era. In actuality, this media has not been able to restore and increase the sales of MSMEs.

### **Action Phase**

Training is provided by two presenters during the implementation phase, and the community service team provides mentoring.

#### **1. Determining Cost of Goods Sold (COGS) Training**

To generate competitive selling prices, the initial training focused on determining the cost of goods sold. The cost of a good or service is referred to as its price. In a broader sense, price can be defined as the aggregate of all consumer values paid to obtain the benefits of owning or utilizing a product or service. Historically, price has been the primary determinant of a buyer's selection (Kotler & Keller, 2015). This material contains lectures on cost behavior, calculating cost of goods supplied, creating COGS reports and Profit and Loss Reports. Determining COGS is the key to being able to endure and compete in the business world, given that the current level of information disclosure is very high, allowing customers to easily compare the prices of the desired products across providers/sellers.



**Figure 3.** *Determining Cost of Goods Sold (COGS) Training.*

#### **2. Digital Marketing Training**

The second training with the topic Digital Marketing focuses on branding and the creation of packaging that attracts consumer interest, as well as the selection of appropriate distribution channels or online media and the development of promotional strategies. In this material, the three components of the marketing mix (product, place, and promotion) are presented collaboratively through lecture and case studies. A product is the subjective

understanding of a producer of something that can be offered in an effort to accomplish organizational goals by satisfying consumer needs and desires, in accordance with the organization's competence and capacity and the market's purchasing power. In addition, products can be defined as consumer perceptions that are characterized by producers through the outcomes of their production or operations (Tjiptono & Chandra, 2012). Distribution channel (place) refers to the flow of products from producers to intermediaries to consumers as users. (Mulyana, 2019). Promotion (promotion) is a mechanism for marketing communication and the exchange of information between buyers and sellers (Sistaningrum, 2002).



**Figure 4.** *Digital Marketing Training.*

### **3. Mentoring in Creating a Tiktok Account**

Assistance is provided by directing business actors to create a Tiktok account, the most popular online marketplace for potential consumers. The community service team, with the assistance of the KPUG chairman, assists participants in creating an account and uploading products. If business actors do not have an email address, they are assisted in establishing one. This assistance also involves students as problem solving agents for MSME actors, so that the output of this activity can technically increase the sales of MSMEs.



**Figure 5.** *Mentoring in Creating Tiktok Account.*

Implementing this marketing strategy is very important for business actors to be able to increase sales and determine an entrance strategy to enter the global market because utilizing digital platforms will expand market and consumer affordability.

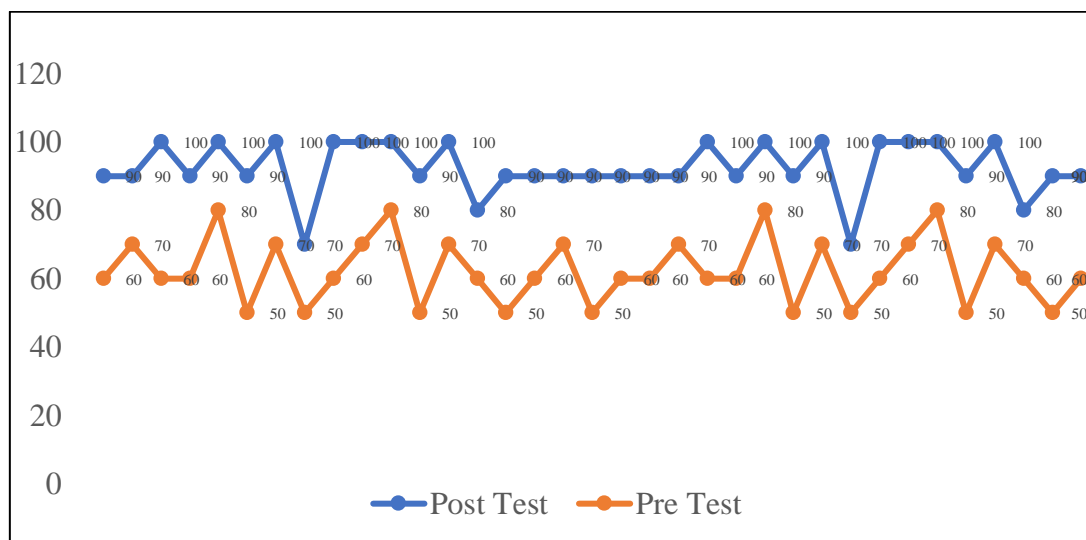
### Evaluation Phase

Evaluation of an activity is conducted by comparing post- and pre-test results, questionnaires, question-and-answer sessions, and participants' message impressions (testimonials). The posttest and pretest consist of ten questions covering the marketing mix material, price, product, place, and promotion, while the questionnaire is used to evaluate the performance of the presenters, the success of training to improve product quality, knowledge, and sales of KPUG member business actors.



**Figure 6.** Carrying out Post Tests and Delivering Message Impressions.

The results of the comparison between the posttest and the pretest indicate that participants' knowledge increased, as the posttest results were superior to those of the pretest. With a post-test score of at least 70, every participant exhibited an increase in knowledge. Community service training activities have revealed that participants have a solid grasp of the marketing blend concept, which includes price, product, place, and promotion.



**Figure 7.** Score Distribution Among Participants.

In addition, an evaluation of the program's success based on questionnaires disseminated to participants at the conclusion of the event revealed that the training and mentoring provided assisted MSMEs in enhancing product quality, knowledge, and sales. The questionnaire instrument also addressed participant satisfaction, including the presenters,



on a scale from 1 to 4 indicating strongly disagree to strongly agree; in fact, the majority of participants stated that presenters one and two had presented marketing mix-related material very effectively and in a manner that was simple to comprehend. Local media in Gresik, regional media in East Java, and university-affiliated media have also reported on community service program.

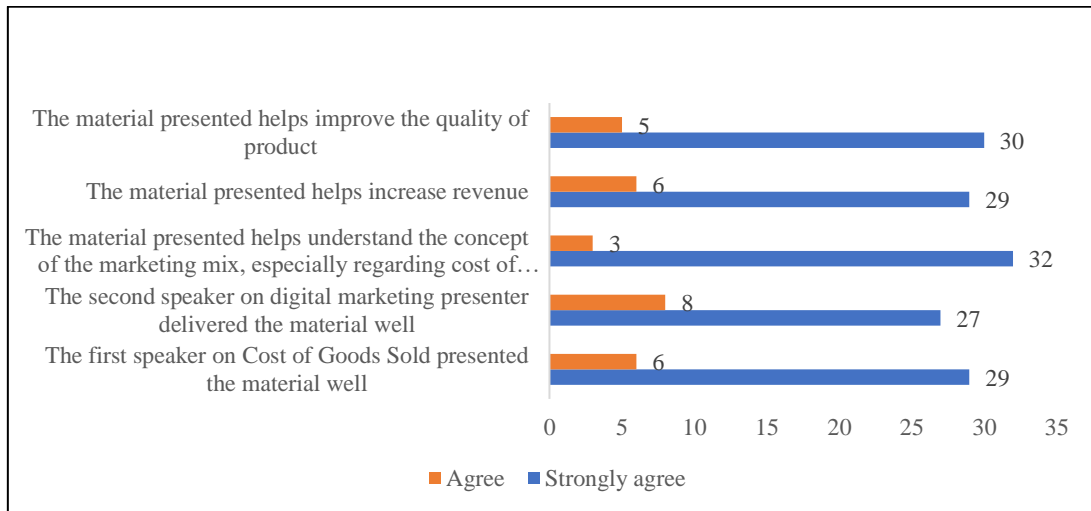


Figure 8. Result of the Program Evaluation Questionnaire.

Evaluation of the increase in sales from the use of Tiktok accounts was also carried out by reviewing participants' sales results via the Tiktok platform a month after the event took place. From the results of the participants' confirmation, the products they offer through the platform have been sold to the general public with wider reach, namely product sales outside the city. Of course, this is a good signal for the growth of KPUG MSME sales. The implementation of this community service has also been reported in local and regional media.

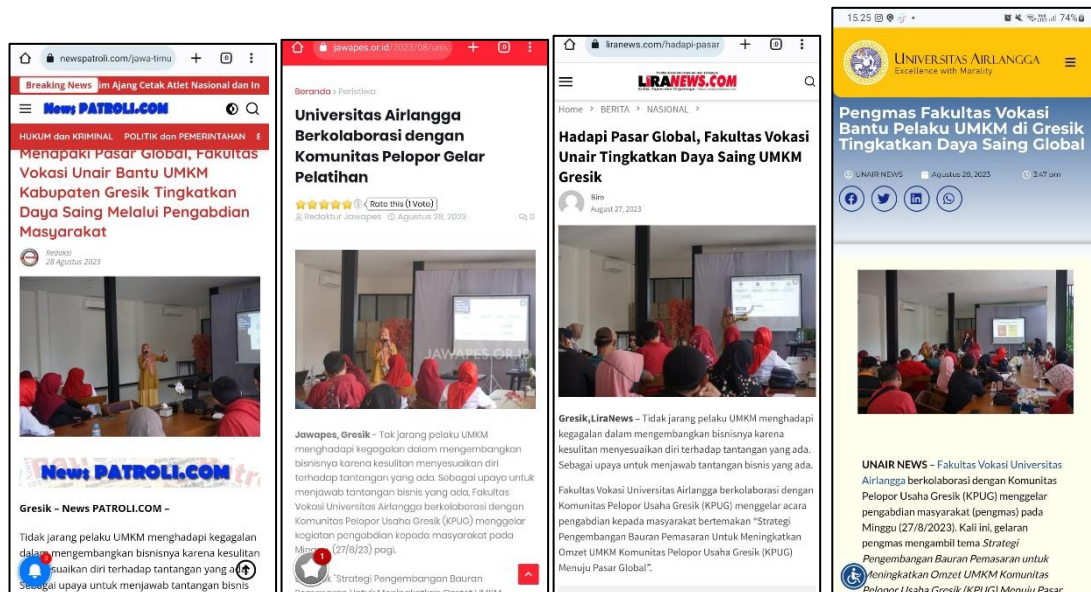


Figure 9. Various Electronic Media Reporting: News Patroli (a); JawaPepes (b); Lira News (c); and Universitas Airlangga (d).

## CLOSING

**Conclusion.** MSME players are required to implement the correct marketing mix through a strategy that includes determining competitive prices (price), selecting the appropriate distribution channels (place), creating customer-attractive branding and packaging (product), and employing targeted promotional strategies (promotion). It is essential to implement this strategy to increase the competitiveness of MSMEs, particularly as one of the steps of an entry strategy to gain a larger share of the global market and increase sales. This community service activity provides business actors who are members of the Komunitas Pelopor Usaha Gresik (KPUG) with solutions to problems they confront. This community service is able to increase the understanding and turnover of business actors who are members of KPUG through training on Cost of Goods Sold and Digital Marketing as well as assistance in creating a Tiktok account as a digital selling platform that is popular with the public. The combination of an e-marketing mix of product, place, promotion and price can effectively increase the competitive advantage of MSMEs.

**Recommendation.** It is anticipated that the collaboration between UNAIR and MSME actors in Gresik Regency will be sustainable and continue with activities and assistance with KPUG-focused topics, specifically the preparation of financial reports and business proposals.

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