

INTEGRATING COST-PLUS AND MARKET-BASED PRICING STRATEGIES TO SUSTAIN GROSS MARGIN: A CASE STUDY OF AN INDONESIAN PRECAST CONCRETE MANUFACTURER

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Abstract

Background: Determining an effective selling price is crucial for corporate profitability and market competitiveness. Cost-Plus Pricing is widely used due to its simplicity, yet its practical capability to yield optimal financial performance remains debated. **Research Gap:** Prior literature shows contradictory evidence on Cost-Plus Pricing—some studies indicate it underestimates market rates, while others show overestimation—creating uncertainty about its effectiveness in sustaining competitive pricing and optimal gross margins. **Objective:** This study analyzes the implementation of Cost-Plus Pricing at PT. Bogor Persada Indonesia and evaluates its effectiveness in generating competitive selling prices while sustaining gross margins. **Method & Data:** Using a qualitative descriptive design, primary qualitative and quantitative data (2021–2023) were collected via online interviews and financial documentation. The primary product sample evaluated was the Heavy Duty (HD) Cover U-Ditch measuring 30 × 60 cm. **Analytical Technique:** Data were analyzed using the single-department process costing method and Gross Profit Margin (GPM) financial ratio analysis. **Findings:** Applying Cost-Plus Pricing with a 50% markup yielded a price of Rp 62,409, which is considerably below the company's price list (Rp 114,254) and market rate (Rp 109,500). Consequently, the firm adopts a hybrid strategy using Cost-Plus Pricing as an internal negotiation floor and market-based pricing for its official price list. This dual strategy sustained an average GPM of 58% (2021–2023), significantly outperforming the 30% industry benchmark. **Implications:** Practically, manufacturing firms should not rely on Cost-Plus Pricing in isolation; integrating cost floor boundaries with market-oriented pricing is vital to balance market competitiveness and long-term profitability.

Keywords: Cost-Plus Pricing, Market-Based Pricing, Gross Profit Margin, Precast Concrete Industry, Pricing Strategy



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INTRODUCTION

Introduction

In an increasingly competitive business environment, effective pricing has become one of the most critical determinants of a firm's success. An appropriate pricing strategy not only influences revenue generation but also contributes significantly to profitability and competitive advantage. One of the most widely adopted pricing approaches is Cost-Plus Pricing, in which the selling price is determined by adding a predetermined markup to the unit production cost. This method is widely recognized for its simplicity and ease of implementation. However, despite these practical advantages, its effectiveness in achieving optimal financial performance remains subject to debate.

A significant challenge associated with the implementation of the Cost-Plus Pricing method lies in its consistency in generating the expected level of profitability. Although the method provides a systematic framework for determining selling prices based on production costs, its outcomes frequently vary across different business contexts. In certain circumstances, the resulting selling price is capable of achieving the targeted level of profit, whereas in others it fails to produce the expected financial outcomes.

Previous studies have reported inconsistent findings regarding the effectiveness of Cost-Plus Pricing. Research conducted by (Rizki Eriyanto et al., 2024) demonstrated that selling prices determined using the Cost-Plus Pricing method were lower than those established under the company's existing pricing policy, suggesting that the adoption of this method could potentially reduce profitability. Conversely, another study found that the Cost-Plus Pricing method generated higher selling prices than those determined by the company's conventional pricing approach (Noviasari & Alamsyah, 2020). These contradictory findings raise important questions concerning the effectiveness of Cost-Plus Pricing in establishing competitive selling prices while simultaneously maintaining an optimal gross margin.

Such inconsistencies indicate a potential mismatch between selling price determination and the underlying cost structure, thereby increasing the risk of reducing the firm's overall gross margin contribution. Accordingly, this study investigates the effectiveness of implementing Cost-Plus Pricing in determining selling prices and maintaining gross margin at PT. Bogor Persada Indonesia. Gross margin is directly influenced by the pricing approach adopted under the Cost-Plus Pricing method, as its performance depends on the accuracy of production cost calculations, the appropriateness of the markup applied, and the firm's responsiveness to market dynamics. Therefore, the findings of this study are expected to provide practical insights that support companies in formulating more effective pricing strategies to enhance profitability while maintaining market competitiveness.

Research Objectives

The primary objectives of this study are as follows:

- 1) To analyze the implementation of the Cost-Plus Pricing method in determining the selling price at PT. Bogor Persada Indonesia.

- 2) To evaluate the effectiveness of the Cost-Plus Pricing method in generating competitive selling prices while ensuring an optimal gross margin at PT. Bogor Persada Indonesia.

LITERATURE REVIEW

Management Accounting

Management accounting is an applied branch of accounting that encompasses the processes of recording, classifying, summarizing, analyzing, and interpreting financial transactions within an organization. The ultimate objective of these activities is to generate financial information that supports organizational planning, control, and decision-making. Based on its functional role, accounting is classified into several specialized fields, one of which is management accounting.

Management accounting plays a strategic role in providing financial and non-financial information to internal management for planning, controlling, evaluating organizational performance, and supporting future business decisions (Santoso et al., 2023). Unlike financial accounting, which primarily serves external stakeholders, management accounting emphasizes internal information needs to improve operational efficiency and organizational effectiveness. Within the scope of management accounting, cost accounting constitutes an inseparable component because it focuses on identifying, measuring, recording, and controlling production costs as a basis for managerial decision-making (Iryanie & Handayani, 2019).

Cost Concept

Cost refers to the sacrifice of economic resources, whether in the form of cash or cash equivalents, incurred to conduct business activities that are expected to generate future economic benefits, including the acquisition of goods and services (Raymond et al., 2024). In a broader context, cost represents the monetary value of resources consumed to achieve specific organizational objectives or to produce economic value (Purwanti, 2023). Accurate cost measurement is essential because it directly influences pricing decisions, profitability analysis, budgeting, cost control, and financial performance evaluation.

Cost Classification

Costs may be classified according to several perspectives, depending on managerial objectives. Based on the operational functions of a company, costs are categorized into production costs and non-production costs (Purwanti, 2023).

1. Production Costs

Production costs consist of all expenditures directly associated with the manufacturing process. These costs include direct material costs, direct labor costs, and manufacturing overhead costs. Direct materials represent the primary raw materials incorporated into finished products, while direct labor refers to wages paid to employees directly involved in production activities. Manufacturing overhead includes all indirect production costs such as factory utilities, equipment depreciation, maintenance expenses, and indirect materials and labor.

2. Non-Production Costs

Non-production costs refer to expenditures that are not directly related to manufacturing activities but are necessary to support business operations and revenue generation. These costs generally include marketing expenses, selling expenses, administrative expenses, and general operating expenses. Although they are excluded from manufacturing costs, non-production costs significantly influence overall business profitability and operational sustainability.

Cost of Production

Cost of production represents the accumulation of manufacturing costs assigned to products during the production process (Santoso et al., 2023). It reflects the total production expenditure incurred in transforming raw materials into finished goods, consisting of direct material costs, direct labor costs, and manufacturing overhead costs (Muliati et al., 2024).

Determining the cost of production is essential because it establishes the unit production cost of products offered for sale. Accurate cost determination enables companies to estimate expected profits or losses after considering operating expenses and other related costs (Miradji & Kurniawan, 2023). Furthermore, reliable production cost information serves as the foundation for inventory valuation, financial reporting, pricing strategies, cost control, and performance evaluation.

Cost Accumulation Methods

Production costs may be accumulated using two primary methods: the job order costing method and the process costing method. The selection of an appropriate costing method depends on the characteristics of the production process and the nature of the products manufactured.

1. Job Order Costing Method

The job order costing method accumulates production costs based on individual jobs or customer orders. Under this system, manufacturing costs are traced and assigned to specific production orders, making it suitable for companies producing customized products according to customer specifications (Pramita et al., 2023). Since each order possesses unique characteristics, production costs vary from one job to another, allowing management to determine the profitability of each individual order.

2. Process Costing Method

The process costing method accumulates production costs based on continuous production processes rather than individual customer orders. This approach is commonly implemented by manufacturing companies engaged in mass production of homogeneous products (Rakhamanita & Erica, 2021). Under this method, direct materials, direct labor, and manufacturing overhead costs are accumulated within cost centers, which generally represent production departments or processing stages (Sahla, 2020). The total production costs are subsequently allocated evenly across units produced during a specific accounting period.

Production Costing Methods

According to Mulyadi (as cited in Sahla, 2020), production costing methods refer to approaches used to incorporate manufacturing cost elements into product costs. Two principal approaches are commonly employed in determining production costs.

1. Full Costing

Full costing is a production costing approach that incorporates all manufacturing cost components into the cost of production. These components include direct materials, direct labor, and both variable and fixed manufacturing overhead costs. Consequently, every production cost incurred contributes to the total production cost assigned to each unit produced. This approach is widely applied for external financial reporting because it complies with generally accepted accounting principles regarding inventory valuation.

2. Variable Costing

Variable costing is a production costing method that includes only variable manufacturing costs in product costs. These costs consist of direct materials, direct labor, and variable manufacturing overhead. Fixed manufacturing overhead is treated as a period expense rather than being allocated to production units. Consequently, variable costing is particularly useful for internal managerial purposes because it provides more relevant information for cost-volume-profit analysis, contribution margin analysis, short-term decision-making, and operational planning.

Selling Price Determination

Selling price refers to the monetary value charged by sellers to customers in exchange for goods or services. Determining an appropriate selling price requires consideration of production costs, expected profit margins, market conditions, consumer purchasing power, and competitors' pricing strategies. Therefore, selling price determination involves calculating total production costs and adding the desired level of profit while ensuring that the resulting price remains competitive and reflects product quality perceived by consumers (Santoso et al., 2023, p. 128).

Appropriate pricing strategies not only contribute to profitability but also influence customer satisfaction, market competitiveness, and long-term business sustainability.

Selling Price Determination Methods

According to Sujarweni (2019), selling prices may be established using three principal approaches: cost-based pricing, competitor-based pricing, and demand-based pricing.

1. Cost-Based Pricing

Cost-based pricing determines the selling price by using production costs as the primary basis for pricing decisions. Several pricing techniques are included within this approach.

a) Cost Plus Pricing

Cost Plus Pricing establishes the selling price by adding a predetermined markup percentage to the production cost per unit. Depending on the costing

approach adopted by the company, production costs may be calculated using either full costing or variable costing. The selling price is therefore determined using the following formula:

$$\text{Selling Price} = \text{Production Cost per Unit} + (\% \text{ Markup} \times \text{Production Cost per Unit})$$

This pricing method ensures that production costs are fully recovered while providing a desired level of profit.

b) Markup Pricing

Markup pricing is commonly implemented by retailers and trading companies. Under this approach, the selling price is established by adding a predetermined markup to the purchase cost of each product. Since purchase costs differ across product categories, markup values may also vary according to product characteristics, market demand, and competitive conditions.

c) Break-Even Point (BEP) Pricing

Break-even point pricing determines the selling price by identifying the point at which total revenue equals total costs. At this level, the company neither earns a profit nor incurs a loss. This method assists management in evaluating minimum pricing decisions required to cover all production and operating costs while supporting profitability planning.

2. Competitor-Based Pricing

Competitor-based pricing determines selling prices by considering competitors' prices as the primary benchmark. This approach is particularly suitable for standardized products marketed within highly competitive industries where several companies offer similar products. By monitoring competitors' pricing strategies, companies can establish competitive prices to maintain or expand market share while preserving profitability.

3. Demand-Based Pricing

Demand-based pricing emphasizes consumer perceptions of product value and purchasing behavior. Under this approach, companies analyze customer responses regarding whether the offered price corresponds to the perceived quality and benefits of the product. Market demand, consumer preferences, purchasing power, and perceived value become the principal determinants in establishing selling prices.

Gross Profit Margin

Gross Profit Margin (GPM) is a profitability ratio that measures the proportion of gross profit generated from net sales. Gross profit is obtained from the difference between sales revenue and the cost of goods sold. Consequently, Gross Profit Margin reflects the company's efficiency in controlling production costs while generating sales revenue (Subramanyam, 2014). The Gross Profit Margin is calculated using the following formula:

$$\text{Gross Profit Margin} = (\text{Gross Profit} / \text{Sales}) \times 100\%$$

A higher Gross Profit Margin indicates that a company generates greater gross profit from each unit of sales revenue, reflecting efficient production cost management

and stronger financial performance. Conversely, a lower Gross Profit Margin suggests that gross profit generated from sales is relatively small, which may result from low selling prices, excessive production costs, or inefficient operational management. Therefore, Gross Profit Margin serves as an important indicator of operational efficiency and overall financial health (Rejeki, 2023). According to Kasmir (as cited in Saputri & Muniarty, 2024), the average Gross Profit Margin benchmark for manufacturing companies is approximately 30%, which is commonly used as an industry reference in evaluating profitability performance.

RESEARCH METHOD

Research Design

This study employed a qualitative descriptive approach to provide a comprehensive description and in-depth understanding of the phenomenon under investigation based on empirical data. A qualitative approach enables researchers to explore organizational practices and interpret contextual findings systematically. Generally, qualitative data are collected through observation, interviews, and documentation (Roosinda et al., 2021). In the present study, data collection was conducted through interviews and document analysis, which provided the primary sources of information for addressing the research objectives.

Research Sample

The research sample consisted of the Heavy Duty (HD) U-Ditch Cover measuring 30×60 cm, manufactured by PT. Bogor Persada Indonesia. The U-Ditch Cover is a precast concrete product designed to function as a protective cover for U-Ditch drainage channels. Its primary functions include protecting drainage channels from physical damage, reducing the risk of accidents caused by open channels, facilitating maintenance and cleaning activities, and improving both the safety and aesthetic value of drainage infrastructure. This product was selected because it represents one of the company's primary manufactured products and is relevant to the evaluation of production cost calculation, selling price determination, and Gross Profit Margin analysis.

Research Site and Period

The study was conducted at PT. Bogor Persada Indonesia, located at Kp. Parungdengdek, RT.002/RW.011, Wanaherang, Gunung Putri, Bogor Regency, West Java, Indonesia. The research was carried out from March to June 2025. The initial stage, conducted between March and April 2025, involved preparing the research instruments, obtaining research permission from the company, and developing the technical research plan. Subsequently, the data collection process was conducted during May 2025 through online interviews and the collection of company documents. Finally, during June 2025, the collected data were analyzed, interpreted, and compiled into the final research report.

Data Sources and Data Collection Methods

1. Data Sources

This study utilized primary data, which were obtained directly from PT. Bogor Persada Indonesia without prior processing by any external parties. The primary data consisted of both qualitative and quantitative information.

The qualitative data included the company's historical background, vision, and mission, providing contextual information regarding the organizational profile. Meanwhile, the quantitative data consisted of production cost information for the 2023 accounting period, the selling prices established by the company in 2023, and the company's income statements for the 2021–2023 period. These data served as the basis for evaluating production costs, selling price determination, and Gross Profit Margin.

2. Data Collection Methods

a) Interviews

Interviews were employed as the primary technique for collecting in-depth information relevant to the objectives of the study. Interviews involve a structured exchange of questions and answers between the researcher and respondents to obtain detailed and reliable information regarding the research problem.

In this study, interviews were conducted to gain comprehensive insights into the production cost calculation system, pricing policies, and managerial practices implemented by PT. Bogor Persada Indonesia. Considering that the company's location was geographically distant from the researcher's residence, all interviews were conducted online using digital communication platforms. This approach was selected to improve time and cost efficiency while maintaining the quality, reliability, and completeness of the information obtained.

b) Documentation

Documentation was utilized to complement the interview data by examining company documents relevant to the research objectives. Documentary evidence included financial reports, production cost records, company profiles, and other supporting documents provided directly by PT. Bogor Persada Indonesia. Similar to the interview process, all documentation was transmitted digitally through online communication, enabling efficient data acquisition while ensuring document authenticity and consistency.

Data Analysis Method

The study employed a descriptive qualitative analysis to describe and interpret the research findings systematically based on the empirical data collected from the company. The analysis focused on evaluating the implementation of the Cost Plus Pricing method in determining the selling price of the Heavy Duty U-Ditch Cover product and assessing its implications for the company's Gross Profit Margin. The research analysis was conducted through the following stages:

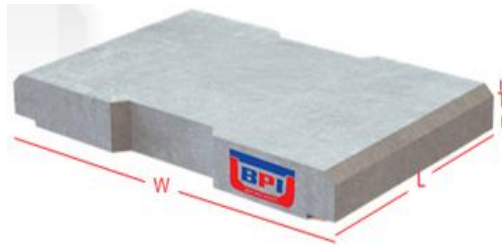
1. Research Permission. The researcher first obtained formal approval from the management of PT. Bogor Persada Indonesia to conduct the research and access the required company data.
2. Research Preparation. After obtaining permission, the researcher prepared the research instruments, established the data collection procedures, and organized the technical requirements necessary for conducting the study.
3. Data Collection through Interviews. Online interviews were conducted with company representatives to obtain comprehensive information regarding production activities, production cost components, and the company's pricing practices.
4. Collection of Supporting Documents. Relevant qualitative and quantitative data were collected through company documentation, including production cost records, financial statements, and supporting organizational documents.
5. Data Processing. The collected data were systematically processed using the Cost Plus Pricing method as the primary analytical framework for calculating production costs and determining the appropriate selling price.
6. Data Analysis and Interpretation. The processed data were subsequently analyzed to evaluate the effectiveness of implementing the Cost Plus Pricing method in determining the company's selling price and its impact on Gross Profit Margin. The findings were then interpreted comprehensively and compiled into the final research report.

RESULTS AND DISCUSSION

Research Findings

PT. Bogor Persada Indonesia (BPI) originated from CV. Maju Bersama, which was established in 2008 with its primary business focus on trading activities located in Parungdengdek Village, Wanaherang, Gunung Putri District, Bogor Regency, West Java. In response to the increasing demand for precast concrete products in both government and private infrastructure projects, the company expanded its business in 2016 by establishing a precast concrete manufacturing division. In August of the same year, the company officially changed its corporate name to PT. Bogor Persada Indonesia (BPI). Supported by experienced professionals and technical experts in the precast concrete industry, PT. Bogor Persada Indonesia is committed to providing high-quality products and excellent services to its customers.

The products manufactured by PT. Bogor Persada Indonesia include Box Culvert, U-Ditch, and Cover U-Ditch. Among these products, the highest production volume in 2023 was recorded for the Heavy Duty (HD) Cover U-Ditch with dimensions of 30 × 60 cm. Cover U-Ditch products are available in two categories, namely Light Duty (LD) and Heavy Duty (HD), each offered in various sizes. Accordingly, this study selected the Heavy Duty (HD) Cover U-Ditch measuring 30 × 60 cm as the research sample to analyze the selling price determination using the Cost Plus Pricing method. The product is illustrated in the following figure.



Source: bpipecast.com

This study utilized production data from November 2023, as this month recorded the highest production volume during the year. Prior to discussing the selling price calculation, the following data were obtained through documentation methods, including production costs and non-production costs incurred for all products manufactured during 2023.

Table 1. Raw Material Costs in 2023

Raw Materials	Amount
Steel	Rp 1,363,322,811
Crushed Stone	Rp 697,855,856
Sand	Rp 608,565,766
Cement	Rp 1,351,561,982
Total	Rp 4,021,306,414

Source: Processed data, 2025.

During 2023, the company utilized raw materials consisting of steel, crushed stone, sand, and cement, amounting to Rp 4,021,306,414. These data were obtained from primary sources, specifically the company's material receipt records for 2023, and subsequently classified according to cost categories.

Table 2. Direct Labor Costs in 2023

Labor Category	Number of Employees	Annual Salary
Production Operators	30	Rp 760,333,646
Truck Operators	11	Rp 219,619,917
Total		Rp 979,953,563

Source: Processed data, 2025.

The total direct labor cost incurred for production operators and truck operators during 2023 amounted to Rp 979,953,563. These figures were obtained from the company's primary payroll records and classified as direct labor costs.

Table 3. Manufacturing Overhead Costs in 2023

Cost Component	Amount
Production Overhead	Rp 506,264,198
Variable Manufacturing Overhead	Rp 59,882,000
Fixed Manufacturing Overhead	Rp 1,500,000
Total	Rp 567,646,198

Source: Processed data, 2025.

Manufacturing overhead costs incurred during 2023 consisted of fixed and variable overhead expenses totaling Rp 567,646,198. These data were obtained from the company's primary material records and classified according to manufacturing overhead categories.

Based on the total raw material costs, direct labor costs, and manufacturing overhead costs, the company's total production cost for all products manufactured in 2023 amounted to Rp 5,568,906,175.

Table 4. Non-Production Costs in 2023

Cost Component	Amount
Office Employees' Salaries	Rp 468,000,000
General and Administrative Expenses	Rp 1,095,688,174
Total	Rp 1,563,688,174

Source: Processed data, 2025.

The company's non-production costs during 2023 consisted of office employees' salaries and general and administrative expenses, totaling Rp 1,563,688,174. These data were obtained from the company's payroll records and categorized as costs not directly associated with manufacturing activities.

Cost of Production Calculation Using the Single Department Process Costing Method

Based on the production and non-production costs described previously, the following analysis was conducted using interview and documentation methods, including production volume and manufacturing cost data for the production of the Heavy Duty (HD) Cover U-Ditch measuring 30 × 60 cm.

Table 5. Production Volume of Heavy Duty Cover U-Ditch 30 × 60 cm (November 2023)

Product	Monthly Production (26 Working Days)
Cover HD 30 × 60	2,500 Units

Source: Primary data, 2025.

Table 5 indicates that November 2023 represented the highest production and sales period of the year, with a total production of 2,500 units of Cover HD 30 × 60. The production volume was calculated based on 26 effective working days during the month.

Table 6. Total Production Cost per Unit (November 2023)

Cost Component	Completion Rate	Total Cost (a)	Equivalent Units (b)	Cost per Equivalent Unit (a/b)
Raw Materials	100%	Rp 73,266,000	2,5	Rp29,31
Direct Labor	50%	Rp 15,840,000	2,4	Rp6,60
Manufacturing Overhead	50%	Rp 13,681,000	2,4	Rp5,70
Total		Rp 102,787,000		Rp41,61

Source: Processed data, 2025.

Based on Tables 5 and 6, the cost of production was calculated using the single-department process costing method. During November 2023, the company produced 2,500 units of Cover HD 30 × 60, of which 2,300 units were completed and transferred to the warehouse, while 200 units remained as ending work in process (WIP). The calculation procedures are presented as follows.

1. Equivalent Unit Calculation

Equivalent units were calculated using the following formula:

Equivalent Units = Completed Units + (Ending WIP × Percentage of Completion)

Accordingly,

a) Raw Materials = $2,300 + (200 \times 100\%) = 2,500$ equivalent units

b) Direct Labor = $2,300 + (200 \times 50\%) = 2,400$ equivalent units

c) Manufacturing Overhead = $2,300 + (200 \times 50\%) = 2,400$ equivalent units

2. Cost per Equivalent Unit

The production cost per equivalent unit was determined using the following formula:

Cost per Equivalent Unit = Total Cost / Equivalent Units

The calculations are as follows:

Raw Materials = Rp 73,266,000 / 2,500 = Rp 29,306

Direct Labor = Rp 15,840,000 / 2,400 = Rp 6,600

Manufacturing Overhead = Rp 13,681,000 / 2,400 = Rp 5,700

Consequently, the total production cost per unit amounted to Rp 41,606.

3. Cost of Finished Goods and Ending Work in Process Inventory

The cost of finished goods and ending work in process inventory is presented as follows:

Cost of Finished Goods 2,300 units × Rp 41,606 = Rp 95,695,678

Ending Work in Process (WIP) Cost

Direct Materials = 100% × 200 units × Rp 29,306 = Rp 5,861,280

Direct Labor = 50% × 200 units × Rp 6,600 = Rp 660,000

Manufacturing Overhead = 50% × 200 units × Rp 5,700 = Rp 570,042

Total Ending Work in Process Cost = Rp 7,091,322 +

Total Production Cost = Rp 102,787,000

Selling Price Determination

1. Markup Determination

In determining the selling price of its products, the company established a uniform markup policy applicable to all product categories throughout 2023. The markup percentage is presented in Table 7.

Table 7. Markup Percentage

Description	Percentage (%)
Expected Profit	50%

Source: Interview results, 2025.

2. Selling Price Calculation Using the Cost Plus Pricing Method

Based on the production cost data obtained, the selling price of the Cover HD 30×60 product was calculated using the Cost Plus Pricing method. The selling price is determined using the following formula:

$$\text{Selling Price} = \text{Production Cost per Unit} + (\text{Markup Percentage} \times \text{Production Cost per Unit})$$

$$\text{Selling Price} = \text{Rp } 41,606 + (50\% \times \text{Rp } 41,606) = \text{Rp } 62,409$$

The calculation indicates that the selling price of the Cover HD 30×60 product, as determined using the Cost Plus Pricing method, is Rp 62,409 per unit. Table 8 summarizes the production cost, selling price, unit profit, and contribution margin for Cover U-Ditch products with various types and dimensions.

Table 8. Summary of Production Cost, Selling Price, and Profit per Unit

Product Type	Cost of Production (a)	Selling Price (b) = (a + 50% × a)	Profit per Unit (c) = (b – a)	Contribution Margin (d)
Cover LD 30×60	Rp31,20	Rp46,81	Rp15,60	33%
Cover HD 30×60	Rp41,61	Rp62,41	Rp20,80	33%
Cover LD 40×60	Rp40,22	Rp60,33	Rp20,11	33%
Cover HD 40×60	Rp52,01	Rp78,01	Rp26,00	33%
Cover LD 50×60	Rp49,93	Rp74,89	Rp24,96	33%
Cover HD 50×60	Rp76,28	Rp114,42	Rp38,14	33%
Cover LD 60×60	Rp72,81	Rp109,22	Rp36,41	33%
Cover HD 60×60	Rp104,02	Rp156,02	Rp52,01	33%
Cover LD 80×60	Rp93,61	Rp140,42	Rp46,81	33%
Cover HD 80×60	Rp142,15	Rp213,23	Rp71,08	33%
Cover LD 100×60	Rp142,15	Rp213,23	Rp71,08	33%
Cover HD 100×60	Rp181,68	Rp272,52	Rp90,84	33%
Cover LD 120×60	Rp166,42	Rp249,64	Rp83,21	33%
Cover HD 120×60	Rp235,77	Rp353,65	Rp117,88	33%

Source: Processed primary data, 2025.

Table 8 demonstrates that the application of the Cost Plus Pricing method produces a consistent 33% contribution margin across all Cover U-Ditch products regardless of type and dimension. This consistency indicates that the company's pricing policy applies a standardized markup rate to each product category, thereby maintaining a uniform profit margin while accounting for differences in production costs.

Gross Profit Margin Analysis

Table 9 presents the company's sales, cost of goods sold, and gross profit for the 2021–2023 period.

Table 9. Summary of Income Statements, 2021–2023

Description	2021	2022	2023
Sales	Rp 16,184,652,158	Rp 20,989,785,558	Rp 12,548,427,383
Cost of Goods Sold	Rp 6,727,791,500	Rp 8,601,273,810	Rp 5,568,906,175
Gross Profit	Rp 9,456,860,658	Rp 12,388,511,748	Rp 6,979,521,208

Source: Processed primary data, 2025.

Based on the financial data presented in Table 9, the company's gross profit margin (GPM) for each year was calculated using the following formula:

$$\text{Gross Profit Margin} = (\text{Gross Profit} / \text{Sales}) \times 100\%$$

The calculation results are as follows:

1. 2021

$$\text{Gross Profit Margin} = (\text{Rp } 9,456,860,658 / \text{Rp } 16,184,652,158) \times 100\% = 58\%$$

2. 2022

$$\text{Gross Profit Margin} = (\text{Rp } 12,388,511,748 / \text{Rp } 20,989,785,558) \times 100\% = 59\%$$

3. 2023

$$\text{Gross Profit Margin} = (\text{Rp } 6,979,521,208 / \text{Rp } 12,548,427,383) \times 100\% = 56\%$$

The findings indicate that the company maintained a relatively high gross profit margin throughout the observation period. Gross profit margin increased from 58% in 2021 to 59% in 2022, reflecting improved profitability and efficient management of production costs relative to sales revenue. However, the margin declined to 56% in 2023, suggesting a reduction in gross profitability. This decline may be associated with changes in production costs, fluctuations in sales volume, or pricing policies during the period under study. Nevertheless, the gross profit margin remained above 50%, indicating that the company continued to generate a substantial gross return from its operating activities.

Discussion

Effective selling price determination represents one of the most critical managerial decisions because it directly influences profitability, market competitiveness, and long-term business sustainability. Pricing decisions should not only ensure the recovery of production costs but also generate an adequate return while remaining acceptable to customers in a competitive market. In manufacturing companies, the Cost-Plus Pricing method is frequently adopted because it provides a systematic approach to pricing by adding a predetermined markup to the unit production cost. Nevertheless, relying exclusively on production costs may not always produce selling prices that are competitive under actual market conditions.

Table 10. Comparison of selling prices for U-Ditch covers

Product Type	Selling Price Based on the Cost Plus Pricing Method (IDR)	Selling Price Based on the Competitor Pricing Method (Price List) (IDR)	Market Selling Price (IDR)
Cover LD 30×60	Rp46,81	Rp85,69	Rp93,39
Cover HD 30×60	Rp62,41	Rp114,25	Rp109,50
Cover LD 40×60	Rp60,33	Rp110,45	Rp135,85
Cover HD 40×60	Rp78,01	Rp142,82	Rp139,50
Cover LD 50×60	Rp74,89	Rp137,11	Rp181,28
Cover HD 50×60	Rp114,42	Rp209,47	Rp300,19
Cover LD 60×60	Rp109,22	Rp199,94	Rp230,00
Cover HD 60×60	Rp156,02	Rp285,64	Rp249,90
Cover LD 80×60	Rp140,42	Rp257,07	Rp305,47
Cover HD 80×60	Rp213,23	Rp390,37	Rp521,95
Cover LD 100×60	Rp213,23	Rp390,37	Rp409,75
Cover HD 100×60	Rp272,52	Rp498,91	Rp691,24
Cover LD 120×60	Rp249,64	Rp457,02	Rp544,17
Cover HD 120×60	Rp353,65	Rp647,44	Rp836,44

The first objective of this study was to analyze the implementation of the Cost-Plus Pricing method in determining the selling price of Cover U-Ditch products at PT. Bogor Persada Indonesia. The findings demonstrate that the production cost of the Heavy Duty (HD) Cover U-Ditch measuring 30 × 60 cm was calculated using the single-department process costing method, resulting in a unit production cost of Rp 41,606. By applying the company's predetermined markup of 50%, the selling price generated through the Cost-Plus Pricing method amounted to Rp 62,409 per unit. These findings indicate that the Cost-Plus Pricing approach successfully establishes a selling price capable of covering production costs while achieving the company's expected profit target. Consequently, from an internal cost recovery perspective, the implementation of Cost-Plus Pricing can be considered appropriate and operationally effective.

However, a comparison between the selling prices generated through Cost-Plus Pricing, the company's official price list, and prevailing market prices reveals substantial differences across all Cover U-Ditch product variants. The selling prices obtained using the Cost-Plus Pricing method are consistently lower than both the company's established price list and the prevailing market prices. For example, the selling price of the HD Cover U-Ditch 30 × 60 cm calculated using Cost-Plus Pricing is Rp 62,409, whereas the company's price list is Rp 114,254, and the market price reaches Rp 109,500. Similar pricing gaps are observed for all other product sizes and categories, indicating that production costs alone are insufficient to determine competitive selling prices within the Indonesian precast concrete industry.

These findings suggest that although the Cost-Plus Pricing method provides an objective cost-based pricing framework, it does not adequately incorporate external

market considerations, including competitor pricing, customer willingness to pay, and prevailing market dynamics. As a result, if the company were to rely solely on Cost-Plus Pricing, the resulting selling prices would remain significantly below the prevailing market level. While such pricing would still generate accounting profits due to the predetermined markup, it could simultaneously reduce the company's revenue potential by underpricing products relative to their market value.

Consequently, PT. Bogor Persada Indonesia does not exclusively implement Cost-Plus Pricing when determining its selling prices. Instead, the company adopts a hybrid pricing strategy that combines Cost-Plus Pricing with competitor-based pricing. Under this strategy, the Cost-Plus Pricing calculation serves as the minimum acceptable selling price during customer negotiations, ensuring that production costs and the targeted profit margin are fully recovered. Meanwhile, the company's official price list is established by considering competitors' prices and prevailing market conditions. This combined pricing approach enables the company to maintain market competitiveness while simultaneously maximizing profitability and preserving pricing flexibility during the negotiation process.

The implementation of this dual-pricing strategy reflects the practical reality of the precast concrete industry, where pricing decisions cannot rely exclusively on internal cost information. Instead, companies must balance internal cost efficiency with external competitive pressures. Therefore, although Cost-Plus Pricing is effective in determining the minimum profitable selling price, it is less appropriate as the sole basis for establishing final selling prices within a highly competitive market environment.

Table 11. Gross Margin Analysis of PT Bogor Persada Indonesia, 2021-2023

Period	Manufacturing Industry Standard (Gross Profit Margin/GPM)	Gross Profit Margin (%)	Category
2021	30%	58%	Good
2022	30%	59%	Good
2023	30%	56%	Good

Source: Data analysis results, 2025

The second objective of this study was to evaluate the effectiveness of the Cost-Plus Pricing method in maintaining the company's Gross Profit Margin (GPM). The findings indicate that PT. Bogor Persada Indonesia consistently achieved Gross Profit Margins of 58% in 2021, 59% in 2022, and 56% in 2023, with an average Gross Profit Margin of approximately 58% over the three-year observation period. These values substantially exceed the average manufacturing industry benchmark of 30%, indicating that the company maintained a healthy level of profitability throughout the study period.

The consistently high Gross Profit Margin demonstrates that the company's pricing strategy has been successful in recovering production costs while generating substantial gross profits. This performance suggests that combining Cost-Plus Pricing with

competitor-based pricing enables the company to optimize profitability without sacrificing market competitiveness. The findings further indicate that Gross Profit Margin is influenced not only by production cost accuracy but also by management's ability to formulate pricing strategies that respond effectively to competitive market conditions.

Despite maintaining Gross Profit Margins well above the industry benchmark, the results also reveal a slight decline in profitability during 2023, when the Gross Profit Margin decreased from 59% to 56%. This decline was not primarily attributable to inaccuracies in production cost calculations or weaknesses in the Cost-Plus Pricing method. Instead, interview findings indicate that the reduction resulted from decreased sales following the migration of several customers to a newly established competitor that had previously maintained business relationships through PT. Bogor Persada Indonesia's marketing network. Consequently, declining sales revenue reduced overall profitability despite the company continuing to maintain relatively efficient production cost management.

These findings demonstrate that pricing strategy alone cannot fully determine a company's financial performance. External market conditions, customer retention, competitive intensity, and marketing effectiveness also play essential roles in sustaining profitability. Therefore, maintaining a healthy Gross Profit Margin requires not only accurate production cost calculations and appropriate markup policies but also effective competitive positioning and long-term customer relationship management.

Overall, the findings of this study indicate that the Cost-Plus Pricing method is effective in establishing the minimum profitable selling price because it ensures full recovery of production costs and achieves the desired markup. However, the method is less effective when applied independently to determine final market prices due to its inability to accommodate external competitive factors. Consequently, the combination of Cost-Plus Pricing and competitor-based pricing adopted by PT. Bogor Persada Indonesia represents a more appropriate pricing strategy, as it enables the company to maintain competitive selling prices while consistently generating Gross Profit Margins significantly above the manufacturing industry benchmark. These findings directly answer the research objectives by demonstrating that Cost-Plus Pricing remains an important managerial tool for internal pricing decisions but should be integrated with market-oriented pricing considerations to achieve both profitability and sustainable competitive advantage.

CONCLUSION

This study evaluated the effectiveness of the Cost-Plus Pricing method in determining selling prices and its contribution to the Gross Profit Margin (GPM) of PT. Bogor Persada Indonesia by using the Heavy Duty (HD) Cover U-Ditch 30 × 60 cm as the research sample, which represented the company's highest production and sales volume during the observation period. The findings indicate that the application of the Cost-Plus Pricing method generated a selling price of Rp 62,409 per unit from a production cost of Rp 41,606, resulting in a profit of Rp 20,803 per unit and a contribution

margin of 33%. Although this pricing approach successfully ensured cost recovery and achieved the company's targeted markup, the resulting selling price remained considerably lower than both the prevailing market price (Rp 109,500) and the company's official price list (Rp 114,254). These findings demonstrate that the Cost-Plus Pricing method is effective as an internal pricing tool for establishing the minimum profitable selling price but is insufficient when applied independently because it does not adequately account for market competition and prevailing industry pricing.

To address this limitation, PT. Bogor Persada Indonesia combines Cost-Plus Pricing with competitor-based pricing, whereby Cost-Plus Pricing serves as the minimum acceptable price during customer negotiations, while competitor pricing is used to establish the company's official price list. This integrated pricing strategy enables the company to remain competitive in the market while maintaining satisfactory profitability.

Furthermore, the combined pricing strategy contributed to consistently strong financial performance, as reflected by Gross Profit Margins of 58% in 2021, 59% in 2022, and 56% in 2023, with an average Gross Profit Margin of 58%, substantially exceeding the manufacturing industry benchmark of 30%. These results indicate that the company maintained a sound financial condition throughout the study period. Although Gross Profit Margin declined by 3% in 2023, the decrease was primarily associated with customer migration to a newly established competitor rather than deficiencies in the pricing method itself. Therefore, the findings suggest that while Cost-Plus Pricing is sufficiently effective for ensuring profitability through cost-based pricing, its implementation should be complemented by market-oriented pricing strategies to achieve sustainable competitiveness and long-term financial performance.

Suggestions for Future Research

Future studies are encouraged to expand this research by incorporating additional pricing approaches, such as Bundle Pricing, Value-Based Pricing, Target Costing, or Dynamic Pricing, to compare their effectiveness with the Cost-Plus Pricing method under different competitive market conditions. Comparative analyses across multiple pricing strategies would provide a more comprehensive understanding of how pricing decisions influence profitability and competitive advantage in the precast concrete industry.

In addition, future research should investigate a broader range of financial performance indicators beyond Gross Profit Margin, including Operating Profit Margin, Net Profit Margin, Return on Assets (ROA), and Return on Equity (ROE), to provide a more comprehensive evaluation of pricing effectiveness. Incorporating external variables such as market competition, customer purchasing behavior, demand fluctuations, inflation, and raw material price volatility may also improve the explanatory power of future studies.

Finally, future research is recommended to involve multiple companies within the precast concrete manufacturing industry or other manufacturing sectors using larger datasets and longer observation periods. Such studies would enhance the generalizability of the findings and provide broader empirical evidence regarding the effectiveness of

Cost-Plus Pricing and integrated pricing strategies in improving profitability and sustaining competitive advantage across different industrial contexts.

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