



Cost-Plus Pricing Strategy at Hanif Jaya Motor Workshop Jatibarang-Indramayu

Soraya Hanif Rachman¹, Donni Junipriansa¹

¹Telkom University, Bandung

*Corresponding Author: Soraya Hanif Rachman

Email: sorayahanifrachman@student.telkomuniversity.ac.id



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Abstract

The work aims to evaluate the applied pricing policies in the Indonesia automotive repair market to analyse the decision making of Hanif Jaya Motor Workshop which is an SME company. The research is centered on the effects of intuition pricing on the price determination, issues of cost control and the role of competition in pricing. Investigating the use of informal experience-based judgment and intuitive decision making at the workshop, as expected, has its advantages of flexibility, but the research findings show that they are dangerous for long-term profit making. The study draws public attention to these weaknesses, the most significant being the inability to capture cost increases and market dynamics and set suboptimal price to ruin the financial sustainability of service provision. The research also brings to light that the management of costs also poses a challenge at the workshop; efforts to offer competitive prices by increasing the internal costs have been associated with compromise on the strength of the products. Alas, this is quite dangerous not only for customer satisfaction but also for the degradation of a business's reputation. Moreover, the study shows the negative impact of involvement in price concussion and portends that SMEs could proposed for better results by moving to value-based rather than cost-based pricing strategies. The implication for SMEs such as Hanif Jaya Motor Workshop is that it will be advantageous if cost based and value based elements are well structured and include more regularly data. They would help in the achievement of a closer fit with customers' perceived value, improved competitiveness and business viability.

Introduction

The vehicle industry in this context is a strategic market since it offers immense contributions towards the Indonesia economy as well as of the South East Asia region. With investments of more than IDR 99. 16 trillion and a production capacity of more than 2. 35 million vehicles, this sector not only contributes positively to economic effect but also acts as one the most important participants of Indonesia globalization economy (BPS, 2023). But beneath this assertively healthy outlook, there is a rather different picture: sustained prosperity for big businesses, scale-backs and bidding wars, loss of competitiveness, increased pressure on SMEs especially in the automotive repair segment and above all the eternal issue of prices. This dichotomy underscores a critical gap in existing research and practice: the absence of the appropriate methods of price discrimination that will help to cover the difficulties of SMEs in this sphere (Podgorodnichenko et al., 2020; MacKenzie et al., 2022).

Past studies on pricing strategies majorly target the strategic type of business organisations, these organisations being in a financial position to enact complex strategies (Cali et al., 2020; Basso et al., 2021). These models generally assume stable operations environment and also

high volumes of operation as embraced by large firms and not especially the SMEs in the emerging economy like Indonesia as noted by OECD, 2023. This can be seen with the Hanif Jaya Motor Workshop situated in Jatibarang, Indramayu. Perversely, the increase in the number of motor vehicles in the market seems to have resulted to reduced patronage to the workshop by repeat customers (Manville et al., 2023). This is mainly due to the fact that it primarily uses, what could be described as, outdated methods of managing prices that the highly competitive and always changing local market does not support (Berger et al., 2020).

Indeed, although cost-plus pricing is well-understood in theories of pricing, it is still denounced for oversimplification of the pricing process, especially in emerging markets where a firm's costs' and customers' demand may quickly change (Simshauser & Gilmore, 2020; Petri, 2021). A number of weaknesses become vivid when used in SMEs, for instance: Many of the costs of SMEs have high variability, and owing to their small-scale production, they can afford to bear a wide cost variation as compared to their large-scale counterparts, they mostly cannot afford to create a buffer against such variations (Nassr & Wehinger, 2016). This puts SMEs in a rather elementary vantage whereby they can afford to compete but have to make adequate profit (Rachman & Junipriansa, 2024). Nevertheless, the use of cost-plus pricing in such a context has been a subject of limited discussion, and, thus, there is a research and practical deficit.

Furthermore, the current body of knowledge on pricing strategies reveals few discussions on the aspect of customer and market positioning of SMEs (Ali & Anwar, 2021; Amin et al., 2020;). In the case of Indonesia, where the decision to purchase is more and more made based on price sensitivity and perceived values , the SMEs, as Hanif Jaya Motor Workshop, are exposed to a context where the management of the price not only aims at the re-establishing of costs but also at the development of differentiation factors (Iryantoro, 2021). As it has been seen, the missing part in the current literature is the study of how SMEs which are operating in the field of automotive repair services may apply pricing strategies in order to improve customer loyalty and firm competitiveness (Dekel et al., 2021; Hossain et al., 2022; Cantú et al., 2021).

Hence, the following research questions emerge in an endeavour to close the above scholarship gap and evaluate the cost-plus pricing strategy adopted by Hanif Jaya Motor Workshop. The research will then carry a comparison of the full costing model with the variable costing model to arrive at which one is more realistic to the corrective operational environment of the repairer SMEs in the Indonesian automobile industry (Shen et al., 2020; Al-Qahtani et al., 2021; Goodarzian et al., 2020). In doing so, it aims to make a positive projection unto the current delegation on the subject of pricing models with the hope of expanding the global understanding of how these models may be tailored according to the importance of SMEs in emerging markets. This is more so considering that SME's contribute to 99% of all establishments in Indonesia and are crucial for the country's economy (OECD, 2023).

Besides this, this research questions the validity of the conventional paradigms of price setting that have always been applied to all firms regardless of their size and market environment (Treagust & Won, 2023; Spash, 2020; Soares & Parreiras, 2020). Thus, in the context of the identified limitations of the use of cost-plus pricing in the conditions of SMEs, this research aims at exposing the shortcomings of such a pricing strategy and demonstrating the necessity to develop more contextual flexible approach that will contribute to increase competitiveness and sustainability of the companies in conditions of emerging markets. The findings are expected to give efficiency from theoretical use and from the practical stand point serve as practical guidance for enhancing the SMEs price determination processes that will not only ease cost control but will also be strategic to the market positioning and identification of customers and products.

Methods

The current research uses a qualitative method to identify the implementation of cost-plus pricing models in Hanif Jaya Motor Workshop in Jatibarang, Indramayu. The research is descriptive in nature with a view to describing the implementation of the pricing strategies in a small scale automotive repair business and the problems faced by the enterprise in a competitive environment. The method of the study involves the use of case studies and this means that the choice of this strategy is most appropriate when investigating phenomenon within their context. This design enables the following assessment of Hanif Jaya Motor Workshop's pricing strategies in their financing of the auto spare business by factoring the internal aspects that relates to its cost structure and resources available as well as the external factors which encompasses its competitors and the entire auto spare customers market. Through case studies, one is able to grasp finer details of the particular problems and factors that characterize the SMEs in the automotive repair industry, such finer details, which might not be easily captured in generic studies on the pricing strategies.

In regard to the sampling used in this study, purposive sampling is used, and it involves selecting only one organization, namely Hanif Jaya Motor Workshop. This method is suitable for the study because it allows for the identifying of the research objectives to offer in-depth analysis of how a common SME operates in the context of the Indonesian automotive repair industry, especially in the aspect of its prices. Criteria for selection for the given case of the workshop as the subject of the learning process were the type of activity of the organization, and it is a small and (or) medium business; the actual experience is over five years; and the density of the given market environment. The owner of the workshop was chosen as the main source of information because he is directly responsible for pricing and knows all the peculiarities of the organization's activities.

The data gathering process took one year from December, 2022 to December, 2023 so as to capture variations in customer demand by certain seasons and corresponding changes in the fares. The qualitative data was obtained from the following methods; Interviews with schedule, observations, and documentation. Informal open ended questions were not used in the study because structured interviews were conducted with the workshop owner basic questions related to pricing policies, cost determination, methods and observed competition effect on these were posed. All these interviews were carried out through WhatsApp, the choice was made in order to make the participant comfortable. The specific interview questions were developed considering the research questions of the current study and by drawing from the prior literature on cost-plus pricing and SME pricing strategies.

Apart from interviews, the technique of participatory observation was used whereby the researcher used time within the workshop observing operations, customer interactions, and the aspect of pricing. Semi-structured interviews were used so as to get contextual data that would help support the data that was collected and thus gain a better understanding of the issues the workshop has to deal with when it comes to its organizational arrangements, such as the best strategies to employ when setting up its prices. Besides, records on financial affairs such as receipts, the list of prices, and the sheets with cost calculations given by the owner of the workshop were used to cross check the data collected from the interviews and the observation. Conduction of this document analysis was fundamental for evaluating the real cost behaviour and the pricing strategies adopted by the workshop.

The analysis of data was done under the theme analysis approach which is appropriate in qualitative studies aimed at determining themes in large datasets. The first step in the analysis process for this study was the familiarisation stage where the researcher typed up the interview

data and went through the observational notes/documents gathered. It allowed the first review and the definition of the main topics and areas that might be promising for further investigation. Qualitative data were then analyzed employing both inductive and deductive coding. Data analysis for this study involved two main approaches to coding; inductive and deductive coding. In inductive coding, there was identification of common themes in the data collected. In deductive coding, the coded data was compared with theories and frameworks on cost-plus pricing and SME pricing strategies. The codes were then grouped into more general categories where they fell under that focused on both the significant elements of the workshop's pricing and the forces involved, including methods of costing, the procedures used to decide on prices, pressures as well as the customers' concept of value. The last step was therefore, to discuss these themes in the light of the research questions set for the study as well as other studies on pricing strategies, and gain over-arching understanding regarding the efficiency of the cost-plus pricing strategy in this particular context.

Results and Discussion

Cost Structures at Hanif Jaya Motor Workshop

The evaluation of cost behaviours of Hanif Jaya Motor Workshop showed clear and distinguishable expenses that were linked with the production and the service functions. These costs are categorized into three main types: direct costs of material, cost of direct labour and manufacture overheads costs. Table 1 below presents these costs as they were estimated in December, 2023.

Table 1. Cost Breakdown of Hanif Jaya Motor Workshop (December 2023)

Cost Type	Description	Amount (IDR)
Raw Material Costs	Brake Pads, Spark Plugs, Tires, Oil	4,105,000
Labor Costs	Wages and Food Allowance	0
Fixed Overhead Costs	Building Rental	600,000
Variable Overhead Costs	Electricity, Water, Depreciation	650,000

According to the data, it can be concluded that the raw material expenses are the largest among all other costs, which is IDR 4,105,000 up to December 2023. what is more, the labor costs were IDR0 during this period as the owner of the workshop decided not to have employees after COVID-19 pandemic. This decision depicts the NS-Start workshop struggle to break an equal profit generation at a given and limited income level. Other production cost which are associated with the overhead costs include building rental, electricity, water and depreciation which form a greater proportion of fixed overheads such as building rental.

Pricing Strategies

The study examined the application of cost-plus pricing using two approaches: These are full-costing and variable-costing. The full-costing approach considers all costs – the cost of the raw materials, the labour cost and the overhead cost in the pricing decision while the variable-costing only considers the variable costs in the cost of production. The values have been calculated using the above-given formulae and are summarized in the tables 2 and 3 as follows.

Table 2. Cost of Production Using Full-Costing Method

Product	Raw Material Cost (IDR)	Fixed Overhead Cost (IDR)	Variable Overhead Cost (IDR)	Total Cost (IDR)
Brake Pads	50,000	7,700	8,300	66,000
Spark Plugs	18,000	7,700	8,300	34,000

Inner Tire	27,000	7,700	8,300	43,000
Outer Tire	190,000	7,700	8,300	206,000
Oil	49,000	7,700	8,300	65,000

Table 3. Cost of Production Using Variable-Costing Method

Product	Raw Material Cost (IDR)	Variable Overhead Cost (IDR)	Total Cost (IDR)
Brake Pads	50,000	8,300	58,300
Spark Plugs	18,000	8,300	26,300
Inner Tire	27,000	8,300	35,300
Outer Tire	190,000	8,300	198,300
Oil	49,000	8,300	57,300

The outcomes reflect that, by comparing full-costing and variable-costing approaches, the distinctions are vivid. Effect on total cost: Due to the use of full costing each product will be costlier over the total cost as it includes fixed factory overheads. For instance, the amount used to manufacture brake pads using full-costing is IDR 66,000 while through variable-costing it is only IDR 58,300. This situation is mainly attributed to the distribution of the fixed overhead costs, which have not been provided for in the variable – costing method.

Determination of Selling Prices

Having computed the costs through the full-costing and variable-costing methods, the study proceeded to the determination of the selling prices which reflected a 20% markup. The calculated selling prices are compared with the actual price fixed by Hanif Jaya Motor Workshop as given below in table no 4.

Table 4. Comparison of Selling Prices

Product	Actual Price	Selling Price	Selling Price
Brake Pads	65,000	79,200	69,960
Spark Plugs	30,000	40,800	31,560
Inner Tire	35,000	51,600	42,360
Outer Tire	210,000	247,200	237,960
Oil	55,000	78,000	68,760

The findings also presented in this study show that the selling prices arrived at the cost plus pricing method with full-cost method are higher compared with variable-costing-based prices and actual prices set by the workshop. For example, if variable costing is used, the selling price of brake pad would be IDR 79,200, while under full costing it is IDR 69,960 and the workshop has set it at a mere IDR 65,000. This suggests that the current price mechanism that Hanif Jaya Motor Workshop is using can only partially reflect costs, especially the fixed overheads and, therefore, may be realising lower margins than would have been possible under a systematic manner of pricing. It is recommended that the current pricing strategy of the Hanif Jaya Motor Workshop, although provides a competitive approach in the current market, should be rethought as it will not be suitable in the long-run. It is also true that failure to optimize the full cost assessment on the pricing strategies could harm the company's profits as more factors such as rent constitute the fixed costs. Further, the involvement of the Buurtzorg vision 'people, care, quality' without strong and detailed pricing strategies that can be systematically responded to changes in the market-price structure can be a disadvantage to the workshop because it can affect the flow of demand or cost of supplies.

Intuition Based Pricing Approach

The first of these was that the owner of the workshop appeared to employ considerable instinct more than process in putting price. This theme was highlighted by several key quotes: This theme was highlighted by several key quotes:

“I have practised this for many years and the custom of deciding on the prices based on my feeling has not let me down.”

This quote incites a common problem with organizations, especially small one – they tend to stick to procedures because they work even if in reality – they are inefficient. Experience is good but solely relying on experience will see pricing varying erratically and profitability optimization missing out on a lot of chances. That is why there can be the problem of underpricing as the overall systematic approach to the costs may not be completely accounted for in a competitive environment. This may be damaging in the long run since it makes the business may not reach its maximum level of revenue as it could not adapt to market changes on time.

He said that there were instances where he has had to change the price instantly based on circumstance and the customer: ‘If the customer looks like he’s in a rush then the price can be discussed.’

Although this kind of structure in prices may seem to accommodate customers’ needs, it can cause several problems, such as a failure to set standards, which is crucial when creating a trustworthy and rather fair atmosphere. Short-term improvements can be realized where prices are adjusted to suit certain circumstances, but the technique is likely to give a Chicago-dot perception in the eyes of the customers, which may lead to dissatisfaction or lack of confidence in the enterprise. Also, it raises the issue of being more responsive than being strategic when it comes to pricing – not a characteristic that helps workshops control and stabilize their margins per each encounter with a customer.

“There is not really set pattern I employ; it’s really instinctive, although I understand the market well enough to know when it is right.”

To effectively compete in the market it is vital to know the market; however using intuition does not allow for effective planning. This approach may hide some elements that may be pertinent to a firm such as costs, costs changes, market forces and pressures among others. Because there is no strict pricing mechanism, the merits of the workshop could be misunderstood because people found it ‘feeling right’ – something that should not be the case especially when it does not reflect the actual cost of doing the services. A more analytical approach could improve the existing decisions on pricing, so that they correspond to the company’s business sustainability.

“Why would I do it, you ask? Well, to be perfectly honest, I haven’t considered doing a detailed cost analysis at all; I think it would probably confuse me too much – I run a small business, you know?”

This statement is typical of many small business owners that do not understand that cost control analysis is only applicable to large companies. Nevertheless, the application of a detailed analysis of cost structures can be highly valuable even to small businesses . Failure to undertake cost analysis may lead to improper cost covering especially the fixed and indirect costs. This may result in financial embarrassments for instance during an economic crunch or whenever competition forces its way in. In dismissing the need for detailed cost analysis and budgeting,

the potential of the workshop to enhance the profitability of a business, and make it sustainable in the long-run are dismissed.

Challenges of Cost Management

One of the most important themes identified in the interviews was the ways of dealing with growing expenses, particularly in the conditions of constrained budgets. The workshop owner expressed his concerns through the following quotes: The workshop owner expressed his concerns through the following quotes:

“This is because the prices of the parts that are used in assembling the cars are ever rising but I cannot always be able to increase the prices of the cars.”

This quote emphasises the existing problem that companies often experience how to keep the price level low enough to remain competitive while at the same time, keeping costs of inputs as low as possible: The company needs to make a profit and a margin on capital just on its direct costs of materials and energy. The observation that it is not feasible to raise costs that are passed to customers without loss of customer business points to a pricing strategy that is not perfectly well synchronized with costs. This kind of approach can be seen as the struggle between the need to offer relatively low prices compared to rivals while, at the same time, making sure all the costs are pulled through. It also raises an issue that the current pricing strategy is a danger to long term revenue and profit because it does not properly adapt to cost escalation. A smoother approach to pricing, involving the use of cost escalation mechanisms could address this problem.

“Rent is my largest fixed cost and it only rises annually,” he said, adding, “I am not sure how much longer I can bear these escalating costs and not pass them on to the consumers.”

Some costs that can be usually considered fixed are also important when it comes to defining the overall pricing strategies, for instance, rent. The failure to transfer these costs to consumers is a result of prudence in relation to competitiveness but it also has a weakness in the pricing mechanism strategy. In overall, such costs, if not recharged to the pricing net, may negatively impact the corporate and business financials. This case shows why decision-makers need to incorporate fixed costs into their pricing strategies to avoid the costs chocking the business in future. This kind of strategy could lead to a slow decline of profitability and thus creates a challenge for the workshop to continue running.

“At times I have to smuggle in cuts such that I have to use low quality material or do some fix it myself rather than employing assistance.”

Expenses cutting measures like, access to cheaper material, or reduction in on operational cost, can greatly reduce service quality and customers’ satisfaction. These actions might bring some temporary benefits, but can also harm the reputation of the workshop and the effectiveness of its work in a long-term perspective. This is something that the customers are likely to realize and this will reduce their trust in the business which results into less sales or even no repeat business. That is why, the decision in the owner’s part to increase work load by doing more things personally instead of delegating could lead to the problem of fatigue which is not conducive for productivity. This brings the issue of cost control to depict that there ought to be moderation which embraces affordable costs without having to sacrifice on quality as well as overworking the business.

“The pandemic greatly affected me and I had to dismiss my employees and continue doing the work on my own to reduce labour expenses.”

The effect of COVID-19 to the small business owners has been felt hard where most of them have been forced to cut on their cost of operations. Regulating employees, hiring and taking all responsibilities on board will make a business survive for a while but is unprofitable in the long run. Consequently, loss of workers is individuals means pulling up a company's throughput, and having customers wait longer and receive substandard services. This case also highlights existing problems faced by SMEs in the process of adjustment to such fluctuations and serves as a reminder of the need to establish relatively stable business models for companies so that in the event of an adverse shock, existing breakdowns and inefficiencies are not exacerbated further, output and service quality is not disrupted.

Competition as a Factor Influencing Price Strategy

The competitive forces of the market are a major determinant of the pricing policies of the workshop. This theme is underscored by the following quotes: This theme is underscored by the following quotes:

"Today we have so many steams, people are competing with each other to provide the lowest prices."

This quote gives perception of cut throat competition that is found in the local markets and every organization is bitterly in a fight to reduce the prices offered to their customers. It may indicate that in such a competitive environment it is very hard for a firm to be distinctive which means that even the organisation may not be fully maximising on other possible differentiation options such as quality of service and value propositions. Pricing a product or a service on the basis of price competitions has the effect of first reducing the profitability of companies involved by a process of lowering prices. This requires a more pointed approach to competition, here price competition is underpinned by the need to meet the needs of consumers in relation to the price offered for their requisite goods and services.

"In some aspects, I have the impression that I need to make cuts merely to bring down my prices and match my rivals."

The desire to price lower due to the competitors' actions results in a cyclical pricing strategy, which is not sustainable in the long-term run and is viable solely to survive in the market. Such an approach might be rather harmful: it is impossible to lose margins constantly and aim at matching rivals' prices. Since Mr. Hakim states that the company 'must' reduce its prices in order to remain competitive it is can be concluded that the company lacks the mechanism to set its own prices and the workshop may be poorly distinguishing the company from competitors. There is need for an aggressive pricing policy which involves increasing the value added services or the customer experience since adopting a lower price as the workshop has done may deter the achievement of the ideal profitability level.

"I have had some customers who shifted to cheaper workshops even though I always offer my service faster and in a much superior way; all they care about is the price."

This quote sums up the problem of having to battle for the quality instead of the price in the marketplace where consumers are mainly interested in the money they will spend to be served by a company. These words of frustration by Mr. Hakim mean that the higher service quality offered at the workshop is not passed on or is not appreciated by its clients. The above scenario is why it is crucial to embark on successful marketing and educating the client that, the price of a product is proportional to the value it comes with. Notably, the difference in price between the standard and the higher quality service can be justified by enumerating the gains that the customers would derive from the later hence aid the "workshop" in win back such customers.

“I attempt to set my prices as low as possible so that I can at least be covering my costs without trying to compete with these guys, it is a big challenge.”

This is a testimony to the fact of how bitter it is to operate in a highly competitive environment where prices are always forced down by various market factors. The concentration on the minimization of cost as a strategy of pricing shows that the organization is adopting a consolidative approach to the issue of price in order to survive. Although such a strategy may ensure afloat of the business in the short term, there is a small chance to become profitable and develop. It is recommended that the workshop comes up with well-balanced strategy that takes into account the rivalry and sustainable levels of margins. This could be in terms of finding narrow segments where one can charge more than a competitor, or provision of services that cannot be directly compared on the price factor.

Perception of Customer Value

Another notable concept deduced during the interviews was the ability to recognize and conform to customer's expectations of value. Mr. Hakim shared his thoughts on this subject: Mr. Hakim shared his thoughts on this subject:

“Customers are always considering getting the best deal they can so they can save money, but quality is also a consideration and one cannot compromise on the other in the search of the other.”

This quote sums up the fact that customers are most times motivated by two factors, the price to be paid on a product as well as the quality of the product. The issue for the workshop thus is how to be able to set a price that is accepted by the customers for both products, while at the same time being able to turn a profit. Achieving this balance is highly dependent on the willingness of the customers, their requirements of the product or services, as well as the business' price structure. Through targeting the quality of the products and at the same time being keen on the price structures of the workshop, the establishment can take the upper hand on its competitors in as much as it deals with value addition.

“I always wish to set reasonable prices that quite embody the value of my service and, in so doing, frequent customers will be in plenty.”

This positioning in terms of fairness and quality of the services is vital for customer loyalty acquisition strategy. Of course, a lack of a proper price structure might lead to serious problems as far as perceived fairness is concerned – this means that the prices might be too low, therefore being unfair for certain customers. The repeat business is crucial for companies in the long-run, however, every single deal must be profitable to some extent to cover all the expenses incurred. Pricing could be made more strategic in the sense that customers do not only find the price reasonable but the business itself makes reasonable profits out of it.

‘He added, Only some of the customers are sensitive to price so I fix certain prices according to what I believe every customer will pay.’

Changing the prices from the perceived customer price sensitivity is an informal approach to value-based pricing. Although this is useful for extracting as much profit as possible out of the various segments of consumers, it also leads to unpredictable and possibly an inconsistent pricing strategy. If not controlled properly regarding this, this approach may prove disadvantageous in the sense that customer may grouse over perceived lack of uniformity in prices. These issues could be solved with a more strict distinction between the different value-based pricing models and the application of such a strategy for the workshop: this way, the

maximum willingness to pay from customers would be obtained while keeping the price communication transparent and coherent.

“Recommendations are very significant to my business. If customers have been happy with both the price and the kind of service that has been offered to them, they will recommend their friends to this business, which will assist me in gaining more business.”

The high level of word of mouth marketing tool underlines the significance of client satisfaction in boosting up the businesses. This role is best illustrated by the fact that firms earn more customer referrals if the company is perceived to offer its products at reasonable rates. However, as prices are reduced in an attempt to satisfy consumers the profitability level that the workshop requires is not obtained. Where word-of-mouth is concerned, it is crucial that prices are competitive enough as to reflect the level of service to be expected but also affordable enough as to allow the service provider to turn a profit. A more rigorous analysis about the cross subsidies of various factors could also help to offset and maintain these considerations while at the same time ensuring the sustainability of the profit making workshop.

About the strategies of pricing used by Hanif Jaya Motor Workshop it is possible to note several critical points, which have been worked out after the thematic analysis of the interview data. Due to the influence of intuition, there are numerous risks inherent with SMEs in the determination of their prices, especially cases of underpricing. Overhead costs and variations in material costs are two more more factors that add to the factor of cost control and make it difficult for the workshop to make profits. These are compounded by the stiff market competition in the locality hence leading to the setting of fatalistic prices that compromise the future working of the workshop as it seeks to compete effectively in the short run. Last, but not the least; in setting prices, customer value perceptions are taken, however, since customer value perception management is not systematic, its full potential is not utilized in pricing and hence, the customer loyalty.

An issue on how this workshop is managed is that it employs hunches in making prices that may appear poised for effectiveness but can be dangerous to the organization’s value. By far, the most evident idea is the role of intuition as an instrument that arises from experience but is not devoid of contradiction. On the positive side it enhances the speed of decision making especially in conditions of uncertain environment but on the other hand it may result in setting of prices some of which may not have factored other cost factors, market conditions and customer perceived value. Such reliance on the ‘gut feeling’ of Mr. Hakim is quite usual in the case of SMEs owners but it neglects the complex dynamics that go on in the business world today.

Theoretical research also shows that intuition by itself inflates, thus it inflates particular economic variables tending to set optimal pricing strategies (Achúcarro et al., 2022; Smith & Hatemi, 2020). This approach is especially hazardous in industries that are oligopolistic and price-sensitive such as automotive repair industry where input prices and competitors’ pressures may vary significantly (Yeung, 2024; Jain & Hazra, 2020). Pricing being not strategic also threatens Hanif Jaya Motor Workshop to underprice its services reaching to a level where they compromise more of the profit margin leaving the value addition aspect compromised too little. But this underpricing is not merely a monetary question; it can affect customers’ attitude to the workshop’s services and creates a circle of underestimation of its services by the market (Mahardika & Ismiyanti, 2021; Busaba & Restrepo, 2022). The answer is not in disregarding intuition but in coupling it with quantitative methods of coming up with the right prices. Combining cost-based pricing with some value-based components would create a fully-

coherent picture that would enable the workshop to set the right price that would reflect both the cost and the value add. This could avoid most of the risks that are likely to be associated with intuition-based pricing while at the same time benefit from its strengths, which are flexibility and ability to respond to market forces (Walsh et al., 2022).

The study gives erect insight into how Hanif Jaya Motor Workshop will harness the risk of increased cost while delivering service. The owner's practice of absorbing cost increases rather than passing them on to customers highlights a fundamental dilemma for SMEs: We have been able to find out how the different appropriate organizational controls impacted on the organization with regards to the two major considerations in managerial accounting, thus being the trade-off between controlling costs and setting a competitive price (Talonen et al., 2020; Damali et al., 2021). This is not a new problem, but again one that has been exacerbated in today's economic environment where cost pressures are being driven from several angles.

The convictions include measures like employing low-cost products instead of the best quality and slicing the expenses of labor. Although, such practices may have adverse effects, which are often noticed in the longer run (Ramos et al., 2020; Piñeiro et al., 2020). The earlier literature have documented chronic instances where organisations undershot the quality strategy to manage cost, with the customer base the ultimate loser. For Hanif Jaya Motor Workshop, the risk is high especially in a service oriented sector whereby customer satisfaction is c hooked on the service delivered. The result can be a loss of customers' trust which is much harder to gain than to preserve: all the above have a direct link to the issue that deterioration of the quality of the delivered service could harm or even ruin the business. In this regard, dynamic pricing comes out as the most effective business model for implementation. Compared to the traditional types of pricing strategies that are fixed, the dynamic pricing strategies can be adjusted in response to changes in costs, demand and market conditions at any one time (Saharan et al., 2020; Tong et al., 2020). This flexibility could help Hanif Jaya Motor Workshop to keep its profit level healthy without compromising the quality of service offered. Nevertheless, to adopt such a model one has not only to allocate funds for the provision of the necessary technology but also to change one's perspective from the history dependent, crisis-elicited approaches to proactive pricing. These initial problems could be closely outdone by the possible advantages such as increased profitability and a favorable competitive posture.

The major threat that exists in the local market of Indonesia for the Hanif Jaya Motor Workshop is the sever price wars. The owner's frequent adjustments to match competitors' prices, often at the expense of margins, reflect a common but flawed approach: competing in terms of pricing strategies such as reducing prices as a way of enticing the consumers. That is why price skimming as a strategy of setting low prices might attract customers, but create a vicious circle in which businesses weaken themselves and the entire industry at the same time.

However, the study also suggests a potential way out of this trap: of ending the practice of price competition while continuing with value competition. Mr. Hakim's observations that customers also care about quality besides the prices suggest a venture that is yet to be exploited fully. Focusing the perception of the costumers on the value means that the workshop could make it relevant in the highly competitive market where consumers are conditioned to look for high-quality service for a reasonable price. This approach is consistent with what has been referred to as value based pricing whereby prices are assigned not only considering costs but also the value that such a price holds to the customer. In addition, this type of pricing allows developing quite a stable strategy of value- based pricing, as well as it can contribute to the formation of brand recognition among consumers. Since consumers tend to return to service-providing businesses that they believe offer them good value for their money, satisfaction. This

word-of-mouth marketing, on which Mr. Hakim already builds, could be achieved much more effectively if there was a stronger emphasis on delivering and communicating the value. Scientific evidence points to the view that firms that succeed to formulate a competitive advantage that can transcend the product or service offering into other areas of customer value can charge higher prices and capture the market in a much tighter hold (Shah, 2022; Shams et al., 2020). This could mean, for example, that Hanif Jaya Motor Workshop could invest in areas such as customer service, reliability and after-sales support so as to provide services not offered in other similar workshops.

Pricing is a key element of the study, and it prescribes the need to integrate it with the perceived value of the customer. Mr. Hakim's practice of charging prices according to the value he feels that the consumers are willing to pay is a good indication of some understanding of the value-based pricing. However, without nurturing this strategy as another comprehensive marketing strategy, Idea particularly jeopardises on the risk of giving its consumers an impression of a disorganised company, an impression that may even threaten the trust section of the chain. Some of the problems include pricing adjustments that give rise to perceived unfairness, this is a very toxic consequence to organizations also is especially in services because clientele trust is very essential. A more systematic approach to value-focused pricing would be to classify the customers and discern the value that each of the segments place in the product and charge according to the same. For example, it may be that the ability of identifying and attracting status/customer/quality/reliability seeking premium customers willing to pay a higher price in exchange for a better chance of getting premium outcomes, as well as the ability of identifying and targeting price-sensitive customers who would rather go for standard service at a lower price. Thus, having different prices for different customers is more beneficial than having a single, average price, which is why the sufficient number of prices offered by Hanif Jaya Motor Workshop will result in the maximum revenue across the various customer segments.

In addition, let us not underestimate the power of what has been referred to as word-of-mouth advertising by Mr. Hakim. It has been found that satisfied customers are more likely to recommend a business to other people, and that this is particularly so when customers feel that they are getting what they considered to be excellent value for their money (Arslan, 2020; Manthiou et al., 2020). When price is consistent with the value that is being provided, the company can improve customer loyalty, recommendation and future patronage among them Hanif Jaya Motor Workshop's customers. This kind of fit between price, customer value, and marketing can be unarguably the recipe for the long-run success in a competitive world.

The findings from the Hanif Jaya Motor Workshop's pricing strategies appear to have a more general meaning in respect of SMEs operating in a competitive environment. Among proposed recommendations, one needs to underline a switch from what can be called an 'intuitive' pricing strategy to more systemic and data-driven approaches. Intuition of course has its place but it needs to be backed up by data to avoid cross subsidizing and to guarantee that prices sent to customers properly reflect costs (Eckert et al., 2023; Hoekman & Nelson, 2020). Also, it highlighted the following needs: improved cost containment mechanism that will not be in conflict with the achievement of high quality service delivery. While strategies that lead to reduced costs greatly affect quality, consumers may be dissatisfied in the long run due to lack of trust in a brand. However, the SMEs should consider the dynamic pricing strategies and other strategies to enable reduction of costs in the course of delivering excellent services.

Another important strategy is the competition not on the basis of prices but on the basis of value. In such areas of the global market with stringent price control, companies that offer extraordinary services, high dependability, and extraordinary customer satisfaction are likely

to succeed. When pricing is based on the value customers receive from the product, combined with successful brand management to support this strategy, it is possible for SMEs to avoid the pernicious effects of the price war and develop more customer loyalty. Last of all, it ease the imperative of synchronising strategic pricing goals with overarching strategic business objectives. As seen in the case of Hanif Jaya Motor Workshop, the integration of pricing actions with customer value perception and marketing communication activities can produce a better relationship which assists the organisation to position itself to compete but also to grow in the future. It is especially crucial in competitive industries because the capability to deliver superior value propounds the competitive advantage.

Conclusion

The possibility to analyze the pricing strategies of the Hanif Jaya Motor Workshop has given a deeper understanding of many factors that SMEs face in the competitive environment. This research also highlights the risks linked with intuition-based pricing – the dominant strategy among SMEs which relies not on the analysis of data, but on personal judgments and perceptions. Although using one’s intuition is fully flexible and can quickly respond to the market situation, the obtained decision usually overlooks one or another cost and market factors resulting in an ineffective, long term, and sometimes unsustainable pricing strategy. Many cost management problems are also evident in this study, specifically the issue of increasing operation expenses while seeking to set relatively affordable prices. The workshop's approach of absorbing cost increases rather than passing them on to customers reflects a widespread dilemma among SMEs: the issue of balancing on the optimal levels of costs on one side, and needed service quality on the other. It may well be from this that we see potential of dynamic pricing models as a way of addressing this tension by being able to set price that will reflect changes in costs and demand in real time. But the notion of institutionalizing strategies for improving TC management involves moving away from a reactionary approach to management, as well as the purchase and development of the right technologies and capacities.

Furthermore, the report points out the problem of getting caught up in a price competition, which while occasionally unavoidable, is on the other hand among the most pernicious and seeing companies push the margins down and industry profitability as a whole. The other strategy that I have illustrated through Hanif Jaya Motor Workshop’s capability to potentially offer value instead of just the price has more longevity. Thus, while using value-based pricing and focusing on the quality, reliability, and experience of the products and services offered in the market, SMEs are in a position to stand out from the numerous company taking similar positions, attract a large number of loyal customers, and justify the higher market price. Pricing strategy and customer value orientation came out as the key factors that need to be aligned if a firm is to maintain competitive advantage. It means that there is the necessity of applying the principles of systematic approach to the definition of the value-based pricing to support consistence and fairness of the existing and potential pricing practices as the base for the long-term strategic orientation in building up the customer confidence. Further, one can identify the means of word of mouth this is an outstanding and natural factor that can positively influence the enterprise’s performance when customers feel that they are getting their money’s worth.

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