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Does Target Costing Always Drive Production Efficiency? A Case Study of Permata Bakery

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ABSTRACT

This study aims to analyze whether the implementation of Target costing consistently enhances production efficiency, using Permata Bakery as a case study. Research Methodology: A qualitative research approach is used to understand the costing methods implemented comprehensively. Data collection is carried out through semi-structured interviews and document analysis. involving three key perspectives: management of Permata Bakery, company employees, and competitors from similar industries. Result: The findings suggest that implementing Target costing at Permata Bakery resulted in higher production costs when compared to the Traditional costing methods. However, rather than purely serving as a cost-reduction tool, Target costing provided valuable insights into cost management and strategic decision-making. Permata Bakery prioritized maintaining product quality and long-term customer relationships, which necessitated higher investment despite the potential for cost savings. This research underscores that while Target costing aims to enhance cost efficiency, its effectiveness depends on its alignment with broader business objectives. Companies must balance cost control with quality assurance and competitive positioning. Contribution: This study contributes to the discussion on costing strategies in the Bakery industry by demonstrating that Target costing does not universally lead to lower costs but can serve as a framework for informed operational and strategic decisions. The findings are specific to Permata Bakery, and while relevant to similar businesses, they may not be directly applicable to all industries. Additional research is recommended to investigate the effects of Target costing across various business models and industries.

Keywords: Target costing, Production cost efficiency, Bakery industry, Costing Implementation

INTRODUCTION

Production cost management is key to maintaining competitiveness and profitability in the increasingly competitive bakery industry. Companies need to adopt cost-effective strategies to ensure competitive selling prices without sacrificing product quality (Edward et al., 2020; Paul et al., 2023; Rodriguez et al., 2020; Thomas et al., 2022; Tilahun et al., 2017). An alternative method used in cost control is Target costing, which is oriented towards adjusting production costs based on the selling price determined by the market (Alkababji, 2023). This approach allows companies to adjust costs from the product design stage, targeting a predetermined profit margin. However, the effectiveness of Target costing in lowering production costs is not always guaranteed in every industry sector and often depends on the implementation strategy used (Wang & Ma, 2023).

Permata Bakery, which was established in 2007 in the city of Bandar Lampung, is one of the growing bakery and cake manufacturers in the region. As their business grows, companies face challenges in improving operational efficiency without sacrificing product quality or losing customer loyalty. Currently, Permata Bakery still uses the Traditional costing method, which is based on the allocation of direct costs, such as labor and raw materials. Although this method is easy to implement, its static approach is often inflexible in the face of fluctuations in raw material prices and changes in market demand (Garrison et al., 2021). With the increasing competition, companies are considering implementing Target costing as an alternative to optimize production costs and increase efficiency. Permata Bakery is interested in updating its production cost measurement system to ensure a more adaptive and sustainable cost strategy.

Cost control cannot be approached mathematically in a medium-scale enterprise such as Permata Bakery. Management must consider multiple constraints, such as brand positioning, raw material availability, labor retention, and product differentiation. These factors often limit the flexibility required for radical cost reductions, as assumed in most theoretical applications of Target costing. Therefore, the challenge lies in applying a new cost framework and integrating it into a holistic business strategy that balances operational efficiency with long-term customer value.

Small-to-medium bakeries like Permata must carefully weigh every production decision, unlike large-scale corporations that can afford aggressive cost-cutting through bulk purchasing or automation. In this regard, the rigid application of Target costing can lead to unintended consequences, such as lower product quality or workforce dissatisfaction, which can damage the brand and customer loyalty. This necessitates an adaptive approach, where costing methods are tailored to suit the company’s operational realities and strategic goals.

Permata Bakery's decision not to integrate Value Engineering in its Target Costing framework is a significant analysis point. While VE typically complements Target costing by identifying non-value-added processes or material substitutions, its absence here reveals how small businesses might avoid it due to resource constraints or a commitment to quality consistency. Thus, Permata Bakery treats Target costing more as an internal benchmarking and diagnostic tool rather than a cost-cutting mechanism, reflecting a more nuanced and realistic usage of the method in SME environments.

Moreover, the findings suggest that cost management strategies should be implemented with full awareness of market positioning and consumer expectations. The bakery’s pricing strategy intends to remain accessible while delivering high product standards. This positioning limits the applicability of aggressive cost reduction tactics and instead requires a hybrid strategy where profit margins are managed through volume, product mix, and operational consistency rather than strict cost minimization.

From an academic perspective, this case study highlights a critical divergence between the theoretical ideals of Target costing and its real-world application. It supports the argument that Target costing should not be universally adopted without considering sector-specific variables. Furthermore, it emphasizes the need for future research into the contextual barriers that influence the successful implementation of cost strategies, especially in the SME sector, where quality differentiation is a core value proposition.

In conclusion, this extended examination of Permata Bakery's cost management practices underscores the importance of managerial discretion and strategic alignment in applying Target costing. The method can be highly effective when applied flexibly and with consideration of organizational culture, customer expectations, and market dynamics. This nuanced understanding challenges the one-size-fits-all assumption often associated with cost frameworks and calls for a more integrated, case-sensitive approach to cost planning in modern business environments.

The growing competitiveness of the bakery industry forces businesses to find efficient and adaptive cost control mechanisms. Permata Bakery, which initially applied Traditional costing, considered adopting Target costing as a potential strategy to improve production efficiency. However, the core issue lies in whether Target costing, which theoretically promotes cost efficiency, delivers lower production costs in practice, especially in small-to-medium-scale enterprises prioritizing quality over cost-cutting.

As raw material prices and consumer preferences shift, businesses' ability to sustain profitability through accurate cost control becomes urgent. Traditional costing methods often fail to capture real-time cost fluctuations and market-driven pricing, making them less responsive in highly dynamic sectors like food manufacturing. Target costing is promoted as a modern approach that begins with market-based pricing and desired profit margins to determine allowable costs, offering a theoretically proactive cost control model.

However, Target's success in costing is not automatic. Many companies misunderstand its function as merely a cost reduction tool, when it requires integration with broader strategies such as Value Engineering and continuous improvement. Without these components, the implementation of Target costing can lead to increased costs or operational inefficiencies. Hence, empirical research on its real-world application becomes essential, especially in industries where product quality cannot be compromised.

Several previous studies have shown that Target costing can identify efficiency opportunities, especially by reducing costs that are not value-added, without sacrificing product quality (Darinskaya et al., 2021; Suratminingsih et al., 2024). However, not all studies have found that this method always results in lower production costs than traditional or other methods. Some studies reveal that under certain conditions, target costing can incur additional costs in the implementation process, especially if it is not balanced with an effective Value Engineering (VE)

strategy (Ramazan Ahmad et al., 2022; Silalahi et al., 2024). Therefore, an in-depth study is needed to determine how this method can be applied at Permata Bakery and how it affects the company's cost efficiency.

This study offers a novel contribution by providing a real-world, detailed comparison between Traditional and Target costing within a medium-sized bakery setting. It also highlights how the absence of Value Engineering can neutralize or reverse the intended benefits of Target costing, thereby challenging the assumption of its universal efficiency. By using actual production data, market price comparisons, and strategic profit planning, this research repositions Target costing not as a cost-cutter but as a managerial diagnostic tool.

This study aims to analyze the implementation of Target costing at Permata Bakery and assess whether it effectively improves production cost efficiency compared to the current traditional costing method.

This research benefits academia and industry by providing empirical insights into how Target costing functions in a real business setting where product quality is non-negotiable. It helps business decision-makers understand that Target costing must be contextually applied, balanced with long-term strategy, and integrated with complementary tools like Value Engineering. For future researchers, it opens avenues to explore the applicability of cost management frameworks across different industries and business models.

RESEARCH METHODS

Types of Research

This study uses a descriptive method with a case study approach, which aims to describe the phenomenon systematically based on the data collected. P. Sugiyono (2019) stated that the descriptive method analyzes and explains a phenomenon without generalizing to the wider population. This approach allows researchers to study the problem in depth, especially in a specific and actual context during the research period. Data analysis was carried out descriptively by describing findings based on real conditions in the field. Thus, this study focuses on interpreting data objectively to understand patterns and implications that occur in practice (D. Sugiyono, 2018; P. Sugiyono, 2017).

Data Objects and Sources

Permata Bakery was chosen as the research object because it is developing and evaluating its production cost measurement system to adjust to competitive market dynamics. Located on Jl. Komarudin, Rajabasa, Bandar Lampung, this company represents the medium-scale bakery industry, looking for a more efficient managerial approach. This condition makes Permata Bakery a relevant case study to compare the effectiveness of Traditional and Target costing methods in real practice, especially in the food industry, which faces the challenges of cost efficiency and product quality consistency.

In addition, the study also compared data from four similar bakery companies in the same region: Sheren Bread, Chaya Bakery, Jay Bakery, and L Kit Bakery. This comparison aims to get a broader picture of the effectiveness of the costing system in the bakery industry in Bandar Lampung, so that the research results are more comprehensive and applicable to similar industries.

Research Stages

In summary, the research steps are presented in Figure 1. The following:

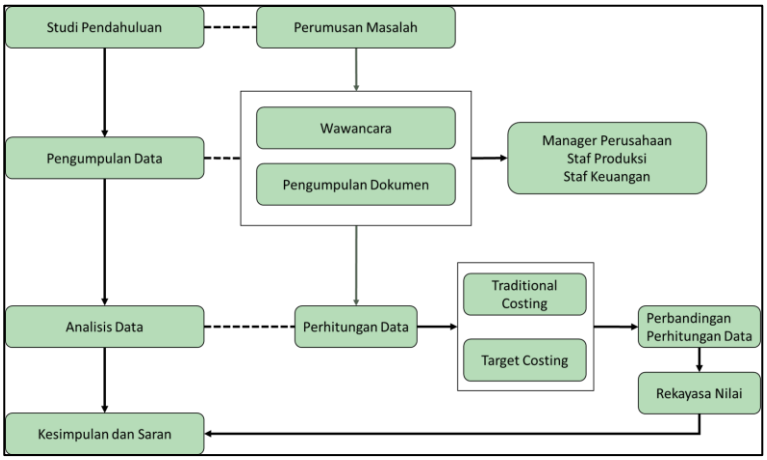

Figure 1. Steps in research

Research Processing Data Sources (2024)

This research began with a preliminary study stage, which aimed to investigate the application of Traditional costing used by Permata Bakery. At this stage, an in-depth exploration was carried out on the production cost calculation methods that the company has implemented and the extent to which these methods contribute to cost efficiency and profitability. This preliminary study also aims to understand the company's cost structure before comparing it with the Target costing method.

Furthermore, the research continues to collect data from two main sources: primary and secondary data. Primary data was collected through in-depth interviews with financial managers, production staff, and marketing staff to understand how production costs were calculated and pricing strategies implemented by the company. Secondary data is obtained from internal company documents, such as cost of production reports and financial statements, as well as historical data related to raw material costs, labor, and overhead.

After the data was collected, the production cost calculation was analyzed using the Traditional costing method as a basis for comparison. Then, the calculation of production costs was carried out using the Target costing method, which is oriented towards the selling price determined based on the market. The results of these two methods were compared to assess the difference in costs generated and the effectiveness of each method in controlling production costs.

In addition to cost comparison, this study also evaluates the potential of Value Engineering (VE), which is an analysis technique that aims to identify product

components that can be reduced in cost without sacrificing quality or key functions (Alkababji, 2023; Darinskaya et al., 2021).

The last stage is the drawing of conclusions, where the results of the comparison of the two methods are thoroughly analyzed to assess the effectiveness of Traditional costing and Target costing in improving product price efficiency at Permata Bakery (Sugiyono, 2017, 2020).

RESULTS AND DISCUSSION

1. Production Process Overview

Like most other bakery companies, the production process at Permata Bakery begins with the preparation of ingredients measured according to the recipe. After that, the ingredients are mixed until they become the desired dough. The fermentation stage is then carried out to develop the dough, which is then molded and shaped according to the type of bread produced. The next stage is packaging, where, after the bread dough is cooked and cooled, production employees do the packaging process manually.

The company completed the production process in 20 working days in one month. During the production period, the company produced 9 (nine) bread variants, with the selling price determined by the company in terms of unit cost and production capacity, as listed in the table.

Table 1. Bread Variants, Selling Price, and Production Capacity

Yes	Product Variants	Selling Price (in Rp)	Production Capacity (in units)
1	Bagelen	13.000	440
2	Toast	12.000	2.000
3	Shredded Bread	12.000	400
4	Roti Burger	10.000	720
5	Roti Hotdog	10.000	360
6	Roti Tawar Besar	8.500	2.700
7	Dry White Bread	6.000	2.600
8	Long White Bread	9.000	4.000
9	Sweet Bread	5.000	2.000
	Total		15.220

Source: Data processed from Permata Bakery (2024)

Table 1 above shows the variants of bread types and their respective selling prices, which range from IDR 5,000 to IDR 13,000, as well as the monthly production capacity of each variant. Table 1 shows that Roti Tawar Panjang has the largest production capacity, 4,000 pieces, while the variant with the smallest production capacity is Roti Shred, which is 400 pieces. Meanwhile, the Bagelen variant is the most expensive compared to 8 (eight) other bread variants.

2. Current cost calculation application

The determination of the calculation of production costs in the company is carried out by referring to all costs incurred by the company (Traditional costing). This includes raw material and labor costs, both direct and indirect, as well as

variable and fixed overhead costs. The cost of raw materials includes all the ingredients used in the bread-making process, such as flour, sugar, yeast, and other additives. Table 2 presents the total cost of the company's raw materials for one month of production, IDR 39,034,680, obtained by multiplying the need for raw materials by the current unit price.

Table 2. Raw Material Cost Calculation

Raw Material Type	Quantity 1 month (Kg)	Unit Price (in Rp)	Total Cost of Raw Materials (in Rp)
Flour	2.167	9.040	19.589.680
Egg	32	25.000	800.000
Mentega	120	15.000	1.800.000
Ragi	3	15.000	45.000
Gula	800	21.000	16.800.000
Total			39.034.680

Source: Data processed from *Barkery* Gems (2024)

Meanwhile, Table 3 presents direct labor costs consisting of workers' wages directly involved in production, and indirect labor costs, namely the wages of workers who support the production process but are not directly involved, such as cashier staff and motorcycle sales (marketing).

Table 3. Labor Cost Calculation

Workforce	Number of Employees	Monthly Wage (Rs)	Total Labor Costs
Immediately			
Production	6	3.000.000	18.000.000
Indirect			
Kasir	2	2.000.000	4.000.000
Sales marketing	3	400.000	1.200.000
Total			23.200.000

Source: Data processed from *Barkery* Gems (2024)

In addition, overhead costs that can be identified in the company are fixed overhead costs, such as security and cleaning costs, where fixed overhead costs are costs that do not change along with changes in production volume. Meanwhile, variable overhead costs such as electricity, water, and gas costs can be identified. The calculation of the company's overhead costs is presented in Table 4. The variable overhead cost presented is the average cost incurred by the company for 20 days of production.

Table 4. Overhead Cost Calculation

Types of *Overhead Costs*	Quantity 1 Month (Kg)	Unit Price (Rp)	Total Overhead Cost (Rp)
Variable *Overhead* Costs			
Salt	31,85	15.700	500.000
Baker Fat	50	18.000	900.000
Companion (Plastic)	10	10.000	100.000

Fixed *Overhead* Costs	
Security	25.000
Hygiene	85.000
Repairs and Maintenance	8.000.000
Electricity, Water, and Gas	3.500.000
Total	13.110.000

Source: Data processed from *Barkery* Gems (2024)

The company combines all of these costs to calculate the production cost used. Where it is known that the total production cost incurred by the company for 1 (one) month is IDR 75,344,680, which consists of Raw Material Costs of IDR 39,034,680; Labor costs are IDR 23,200,000, and overhead costs are IDR 13,110,000.

1) Implementation of Target costing

In the book Target Costing and Value Engineering written by Cooper and Slagmulder (1997), it is explained that the implementation of Target Costing begins by analyzing (1) the market price for the product to be produced, and (2) setting the profit target to be achieved. These profit targets should then be allocated to each product component to ensure that the production process remains within the cost limit that supports the achievement of the expected profits. As a final step, value engineering is carried out to optimize production costs, so that products can be produced according to the predetermined cost target.

a. Market Price Analysis

In analyzing market prices for the types of bread produced by Permata Bakery, we compared them with the prices of bread from competitors engaged in the same industry and operating in the same region. Table 5 shows the prices of similar bread produced by companies based on competitors in each region.

Table 5. Similar Bread Prices Based on Competitors in One Region

Product Variants	**Bekery Gems**	**Sheren *Bread***	**Chaya *Bakery***	**Jay *Bakery***	**L Kit *Bakery***
Bagelen	13.000	none	15.000	22.500	none
Toast	12.000	none	13.000	15.000	none
Shredded Bread	12.000	33.000	none	20.000	10.000
Roti Burger	10.000	none	12.000	9.000	none
Roti Hotdog	10.000	none	13.000	10.000	12.500
Roti Tawar Besar	8.500	35.750	10.000	15.500	18.200
Dry White Bread	6.000	20.625	5.500	9.500	13.400
Long White Bread	9.000	22.000	6.000	15.500	13.400
Sweet Bread	5.000	8.000	3.000	4.500	8.000

Source: Research Processing Data (2024)

Permata Bakery is competitive on several product variants, especially in categories such as Bagelen and torn bread. The price of Bagelen offered for IDR 13,000 is lower than competitors such as Chaya Bakery (IDR 15,000) and Jay Bakery (IDR 22,500), which provides an advantage for consumers looking for more affordable products. Similarly, in torn bread products, the price offered by Permata Bakery of IDR 12,000 is much cheaper compared to Jay Bakery (IDR 20,000) and

Sheren Bread (IDR 33,000). This shows that Permata Bakery focuses on competitive pricing to attract price-sensitive consumers.

However, there are some product categories where Permata Bakery may need to review pricing. In large white bread products, although Permata Bakery's price of Rp8,500 is lower than L Kit Bakery's (Rp18,200) and Jay Bakery's (Rp15,500), this gap could indicate room for price adjustment. In addition, Dry White Bread and Long White Bread also need to be reviewed for a reprice. Permata Bakery could consider raising prices without losing competitiveness, especially to improve its premium image and profitability. This strategy can be more efficient when accompanied by improving quality or service, considering that the bakery market prioritizes consumer experience and price.

b. Determination of expected profits

Based on the market analysis, Permata Bakery has offered competitive prices compared to competitors in the same region, especially on products such as Bagelen and torn bread. However, for the product types of Large Whitebread, Dry White Bread, and Long White Bread, there is a significant price gap compared to competitors such as Jay Bakery and Sheren Bread, Given this gap, the company can consider a price increase of up to 20%. This consideration is based on a strategy to approach market value without losing competitiveness and cover production costs that may increase due to raw material or operational inflation.

Furthermore, the company sets a profit margin target of 35% of the selling price for each type of bread produced. This margin determination considers the owner's experience and considerations in the production process, where the bread produced has an optimal level of development so that the use of raw materials can be minimized. This raw material efficiency allows the achievement of higher profit targets while maintaining product quality. Details regarding the determination of the profit margin of each bread variant are presented in Table 6.

Table 6. Target Selling Price Increase and Price Comparison After Increase

Product Variants	Selling Price	Expected Profit Margin
1	*2*	*3 = (2 x 35%)*
Bagelen	13.000	4.550
Toast	12.000	4.200
Shredded Bread	12.000	4.200
Roti Burger	10.000	3.500
Roti Hotdog	10.000	3.500
Roti Tawar Besar	8.500	2.975
Dry White Bread	6.000	2.100
Long White Bread	9.000	3.150
Sweet Bread	5.000	1.750

Source: Research Processing Data (2024)

c. Calculating Target Costs

In the one-month production period, Permata Bakery recorded a total production cost of IDR 67,344,680 to produce 15,220 units of bread using the traditional costing method (see Table 1). For each type of product, the company determines a profit margin of 45%.

In this context, the calculation of the cost target becomes crucial. The cost target can be determined by reducing the selling price of new products with the target of increasing the selling price. This formula is designed to ensure that the company can achieve its desired profitability goals (Darinskaya et al., 2021). The Formula can be stated as:

Target Cost = Product Selling Price- Expected Profit Margin

Then the cost targets that can be calculated are:

Table 7. Cost Target Calculation

No	Product Variants	Selling Price	Expected Profit Margin	*Target Cost*	Production Capacity	*Target Cost* (One Production Period)
1	*2*	*3*	*4*	*5=(3-4)*	*6*	*7= 5x6*
1	Bagelen	13.000	4.550	8.450	440	3.718.000
2	Toast	12.000	4.200	7.800	2.000	15.600.000
3	Shredded Bread	12.000	4.200	7.800	400	3.120.000
4	Roti Burger	10.000	3.500	6.500	720	4.680.000
5	Roti Hotdog	10.000	3.500	6.500	360	2.340.000
6	Roti Tawar Besar	8.500	2.975	5.525	2.700	14.917.500
7	Dry White Bread	6.000	2.100	3.900	2.600	10.140.000
8	Long White Bread	9.000	3.150	5.850	4.000	23.400.000
9	Sweet Bread	5.000	1.750	3.250	2.000	6.500.000
					Total	**84.415.500**

Source: Research Processing Data (2024)

d. Value Engineering

In the application of the Target costing method in this study, the researcher adopts an approach that aims to minimize changes to the existing cost structure, especially by not making changes to the cost of raw materials, labor, or overhead costs that have been running in the company's operations. This approach is based on the principle that maintaining the stability of the cost structure allows the company to focus more on evaluating the effectiveness of the Target costing method, purely speaking, without relying on changes in the cost component through Value Engineering. This is in line with a more cautious strategy in the implementation of Target Costing, where costs are not only considered as expenses that must be suppressed, but as stable investments that support operations (Celayir, 2020).

By not looking for alternative resources or making significant adjustments to routine expenses, companies can assess the extent to which target costing can improve cost efficiency compared to traditional costing methods. This strategy also allows for more accurate analysis because it minimizes the effects of changes in external variables. In addition, this approach is particularly suitable for companies that have limitations in cost flexibility (Horngren et al., 2018)Therefore, the Target costing method is an evaluation tool that can be directly compared with the Traditional costing method, providing a more objective picture of each approach's advantages.

In this context, the Target costing approach can sometimes result in higher operational costs compared to the Traditional costing method (Al-Zubaidi & Radi, 2022), especially when the company strives to maintain certain product attributes and quality standards. Permata Bakery is committed to maintaining the quality of its products, so they don't want to switch to cheaper raw materials. Moreover, the company also highly values its workforce, which makes it reluctant to reduce labor costs. Under these conditions, the use of Value Engineering, which usually aims to reduce unnecessary expenses without sacrificing value, may seem less significant (Al-Zubaidi & Radi, 2022). As a result, the company may choose not to proceed with Value Engineering, as it will not be effective enough to lower costs to meet Targets, given the operational cost demands in the context of Target costing.

2) Comparison of current cost calculations with Target costing implementation

Table 8 compares the costs of using the Traditional costing method (currently) with the cost of implementing Target costing.

Table 8. Comparison of Traditional costing and Target costing

Fee Type	*Traditional costing*	*Target costing*	Difference
Raw Material Cost	39.034.680	-	-
Labor Costs	23.200.000	-	-
Overhead costs	13.110.000	-	-
Total	75.344.680	84.415.500	9.070.820

Source: Research Processing Data (2024)

Table 8 shows that the total cost of production with the Target costing method (Rp84,415,500) turned out to be higher than the Traditional costing method (Rp75,344,680), with a difference of Rp9,070,820. This finding contradicts the common assumption that Target costing always improves the efficiency of production costs. In the implementation of Target costing, companies generally adjust product design and production processes to achieve Target costs without sacrificing the value expected by customers (Al-Zubaidi & Radi, 2022)However, at Permata Bakery, this method does not reduce production costs. The main cause of this phenomenon is the company's decision not to implement Value Engineering (VE).

Value Engineering is a systematic approach that aims to optimize the function of a product or service by reducing costs that do not provide added value (Celayir, 2020)In many cases, new Target costing provides maximum benefits when accompanied by Value Engineering (VE), which helps identify potential areas for cost savings without sacrificing quality.

Maintaining high-quality raw materials and production processes without significant modifications at Permata Bakery has led to high costs, even though Target costing is implemented. In other words, companies use Target costing only as a calculation tool, not as a comprehensive cost management strategy. As a result, no significant changes in the cost structure allowed Target costing to achieve its goal of reducing production costs.

Permata Bakery places product quality and customer loyalty as top priorities. This is reflected in their decision to stick to premium raw materials and production processes that maintain high quality standards, even if it comes at a higher cost. Therefore, the implementation of Target costing in this company is not

directed at reducing costs, but rather as an analytical tool to understand the cost structure and make strategic decisions in business operations.

3) Managerial Implications of the Implementation of Target Costing

The finding that the implementation of Target costing at Permata Bakery results in higher costs than the Traditional costing method indicates that this method is not used as a direct cost reduction instrument. In contrast, Target costing, in the context of this company, serves as an analysis tool that helps management understand the cost structure, consider profit margins, and evaluate the product's price position compared to competitors.

The application of this method also reflects the company's strategic approach to maintaining product quality and long-term relationships with customers, despite the implications for high operational costs. Therefore, Target costing is more appropriately positioned as a managerial decision-making framework rather than a technical tool for cost efficiency alone.

These findings open up space for further research by comparing the Target costing method with other strategic cost approaches, such as Activity-Based Costing or Kaizen Costing, which may be more appropriately applied to companies focused on quality and differentiation.

CONCLUSION

This study explores the application of the Target costing method in Permata Bakery and compares it with the previously used Traditional costing method. The analysis showed that the prices of products such as Bagelen and Roti Sobek were Rp13,000 and Rp12,000, respectively, lower than competitors' prices, which ranged from Rp15,000 to Rp22,500, indicating strong competitiveness in the market. By setting a target profit margin of 35%, this study calculates the target cost of products, for example, Large White Bread, which is sold for Rp8,500, resulting in a target cost of Rp5,525. The total cost of implementing the Target costing method is Rp84,415,500, higher than Rp9,070,820 compared to the Traditional costing method, which is Rp75,344,680. This study reveals several implications for Permata Bakery and the Bakery industry, that is, that Target costing does not always guarantee cost efficiency without the support of the right Value Engineering strategy, the company needs to balance cost savings with product quality, and the implementation of Target costing must be adjusted to the company's business model and long-term strategy. These findings suggest that Target costing is not a universal solution for production efficiency, especially if it is not integrated with other approaches such as Value Engineering. Permata Bakery's decision to maintain high-quality standards results in greater production costs, which reflects that the effectiveness of Target costing depends on its implementation in practice. Therefore, the relevance of this method needs to be further tested in other sectors or companies with cost-efficiency-oriented business strategies, opening up opportunities for further research to understand whether the results obtained are contextual or reflect a more common pattern in the bakery and processed food industries.

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