

Operating Cost Efficiency to Increasing Net Profit of F&B Department at Hotel Indigo Bali Seminyak Beach

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Abstract

On 2019 and 2022, a year before and after the Covid-19 pandemic, indicates fluctuating conditions in net profit and increasement in operational costs of F&B Department Hotel Indigo Bali Seminyak Beach. This writing aims to present a solution to reduce operational costs and increase the percentage of net profit. The method used is assistance in implementing cost leadership and the EOQ (Economic Order Quantity) approach in price break cases. By implementing cost leadership strategy and EOQ (Economic Order Quantity) in price break cases, the F&B Department of Hotel Indigo Bali Seminyak Beach will get optimal order quantities and the best prices from suppliers, reduce operational costs, and set lower selling prices.

Keywords: Cost Leadership, EOQ, Net Profit, Operational Costs.

INTRODUCTION

Efforts to gain profit will always be related to costs. One type of cost is production costs (Maryana, 2021). Harnanto (2017:28) in (Elvana et al., 2022) states "Production costs are costs that are considered attached to the product, including costs, both direct and indirect, that can be identified with the activities of processing raw materials into finished products." Apart from production costs, profits are also influenced by operational costs. Wardiyah (2017:30) in (Elvana et al., 2022) states that "Operating costs are costs that show the extent of business management efficiency. Selling costs and administrative costs are related to the operations carried out.

According to Yurko et al., (2019), the tourism industry must have the adaptability to modify and recalibrate its operational. In its management, the tourism and hospitality sector include many components related, such as hotels and restaurants (Ary Prihandoko1 et al., 2022). One of the largest departments at Hotel Indigo Bali Seminyak Beach is the Food and Beverages Department which includes Home Delivery, Salon Bali Restaurant, Pottery Café, Makase Restaurant, Tree Bar, Cave Pool and Lounge, and Sugarsand Restaurant (Hotel Indigo, 2023). As the largest department with seven outlets, of course high operational costs are required. High operational costs if not accompanied by high revenue will result in a decrease in profits and result in losses.

According to profit and loss report data from the F&B department at Hotel Indigo Bali Seminyak Beach for the period 2019 and 2022, a year before and after the Covid-19 pandemic, indicates fluctuating conditions in net profit and increasement in operational costs. In March 2019, operational expenses reached 95.2%, equivalent to IDR 2,423,059,090.00 of total revenue IDR 2,545,068,763.00. Meanwhile, net profit only reached IDR 122,009,673.00. Even in February 2022, operational expenses reached 104%, equivalent to IDR 393,780,459.00 and suffered a loss of IDR 15,148,868.00.

Based on the problems above, the innovation offered is by implementing cost leadership. Cost leadership or leadership strategy can be implemented as an alternative to reduce costs compared to competitors (Astutik et al., 2019). This strategy can reduce costs below those of competitors while maintaining the value of the products offered. One of them is by reducing production costs, including all expenses for purchasing raw materials and the production process. According to Santoso & Handayani (2019: 12) in (Septyaningrum & Handayani, 2022), this leadership strategy can produce low costs to reach consumers and a wider market reach, as well as higher profits.

Apart from that, reducing operational costs can be done by improving procurement and inventory systems (Muniarty & Yuliani, 2021). EOQ (Economic Order Quantity) price break cases can be one approach that can be taken as an effort to improve the system. This is done to optimize order quantity and get the best price from suppliers. EOQ price break cases can have a positive impact on efforts to reduce restaurant operational costs in the F&B Department. Based on research (Ardhiyulloh et al., 2021), improving raw material procurement with EOQ in price break cases can have an impact on operational cost efficiency by 16%. With these two strategies, it is hoped that the F&B Department of Hotel Indigo Bali Seminyak Beach can reduce operational costs and increase the percentage of net profit.

METHOD

Secondary data was obtained from the P&L (profit and loss) report of the F&B Department Hotel Indigo Bali Seminyak Beach for 2019 and 2022. Data collection methods are as follows: 1) Documentation. According to Sugiyono (2007) in (Y. P. Sari et al., 2019), documents are records of past events. Documents can be images, writing, or monumental works of someone. The documentation in this writing is in the form of financial reports from the F&B Department of Hotel Indigo Bali Seminyak Beach for 2019 and 2022. 2) Literature study. According to Indriantoro and Supomo (2002) in (Sari et al., 2019), literature study is the main guideline in research that uses secondary data. The author uses data that refers to the problems raised as topics through journals, books, internet, and other devices. The author uses a qualitative descriptive method. This method is a technique for interpreting data that has been collected by paying attention to aspects of the situation at that time, to obtain a comprehensive and general picture of the actual situation in the field (Setia Ningsih & Epi, 2021). Next, the method used in this paper will be presented in flowchart. The flowchart method is used to arrange a sequence of fundamental structural steps, including selection structure, sequence structure, and iteration structure. Additionally, complex structural steps can be easily depicted in a visually understandable format, including stacked structures, stacked structures, and stacked structures (Supaartagorn, 2019).

maximum efforts to reduce production costs and the cost of goods produced so that they are lower than competitors but without sacrificing quality significantly (Ristanty & Ningrum, 2021).

Acquaah (2011) argues that cost leadership strategies are widely used by organizations in Ghana. This is mainly due to the relatively low-income level of most of the Ghanaian population. As a result, most buyers' consumption decisions depend on price rather than quality (Kankam-Kwarteng et al., 2019). This strategy requires an appropriate method of calculating the cost of production. However, the current phenomenon among F&B business is that many people still make mistakes in determining the cost of production, especially the overhead cost element. Errors in determining the cost price will result in errors in determining the selling price. Mistakes in setting selling prices can have an impact on the product's inability to compete with other company products (N. Sari et al., 2020).

Apart from that, reducing operational costs can be done by improving procurement and inventory systems (Elvana et al., 2022). Improvements to this system were carried out using the EOQ approach for price break cases to obtain the optimal order quantity and best price from suppliers. The EOQ (Economic Order Quantity) model has been developed for products whose quality is deteriorating, with constant demand depending on inventory levels managed by buyers and vendors, considering price reductions. In traditional inventory problems, it is usually assumed that holding costs are fixed and setup costs cannot be controlled (Muniappan et al., 2021). The EOQ approach in price break cases can have a good impact as an effort to reduce restaurant operational costs in the F&B Department. Improving raw material procurement with EOQ in price break cases has had an efficiency impact on operational expenses reaching 16% (Rahma Inne et al., 2020).

Apart from price, selling power is also related to marketing aspects, especially promotions. One promotional tool is a company profile. A good company profile, namely trustworthy and informative, will help the company introduce its products and company identity to consumers, clients, and other companies effectively. Through a formal company profile, the level of consumer awareness and trust will increase. A company profile contains history, description, organizational structure, company vision and mission, company products/services, company advantages, company achievements, and company documentation (Setia Kristanti et al., 2021).

Company profile has several benefits, including: (1) Increasing company brand awareness, because the company profile makes it possible to give a positive impression to potential consumers, (2) Explaining the company's vision and mission to potential consumers, because the company profile contains the company's routine activities, (3) Increase the professionalism or credibility of the company, because an attractive company profile appearance will make the company look more professional so that consumers have more confidence in the products offered, (4) Become a complete company information medium, because in the company profile, all company information is contained, (5) Becomes a good marketing tool, because if the company profile is provided digitally it can help facilitate the company's digital marketing strategy which will be developed further, (6) Media to tell the history of the company, (7) Increase target consumers, because digital company profiles can be accessed by anyone, (8) Increase consumer satisfaction (Trisyanto Surya et al., 2022). By implementing cost leadership strategy, EOQ (Economic Order Quantity) in price break cases, and company profile as well, the F&B Department of Hotel Indigo Bali Seminyak Beach will get optimal order quantities and the best prices from suppliers, reduce operational costs, and set lower selling prices.

CONCLUSION

By implementing the Cost leadership strategy, the F&B Department of Hotel Indigo Bali Seminyak Beach can reduce costs compared to competitors and set lower selling prices. Meanwhile, with the EOQ price break case, the Purchasing Hotel Indigo Bali Seminyak Beach gets the optimal quantity of orders and the best price from suppliers. Apart from price, selling power is also related to marketing aspects, especially promotions. With a good company profile, restaurants that are members of the F&B Department of Hotel Indigo Bali Seminyak Beach can be trusted and informative in introducing their products and identity to consumers, clients, and other competitors effectively.

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