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## **Exploring the product costing methods of micro foodservice businesses in Pagadian city: a case study**

**Abstract.** This study explores the product costing methods employed by micro foodservice businesses in Pagadian City, focusing on how owners navigate operational challenges, financial constraints, and market competition. Guided by Prospect Theory, the research examines the decision-making processes behind adopting specific costing methods and their implications for business sustainability. Using qualitative methods, data were collected through interviews with micro foodservice owners, revealing a nuanced understanding of their practices and challenges. The findings identified two primary costing strategies: Ingredient-based costing and full costing. These methods highlight the owners' efforts to ensure accuracy, control costs, and maintain quality despite fluctuating market conditions and limited resources. Key themes emerged, including the prioritization of consistency and quality, the need for flexibility in costing and sourcing, and the impact of external factors such as regulatory requirements and market volatility.

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Additionally, owners face challenges in tracking costs, ensuring compliance, and optimizing operational efficiency. Based on the findings, practical recommendations were drawn to enhance sustainability and profitability. These include adopting digital tools for cost tracking, implementing staff training programs, promoting supplier partnerships, and leveraging innovative menu strategies. This study contributes to understanding how micro foodservice businesses make strategic decisions under uncertainty and provides actionable insights to support their growth and resilience in competitive markets.

**Keywords:** *product costing methods, cost management, micro foodservice businesses, prospect theory, full costing, cost tracking*

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**JEL Classification:** D22, D81, L11, L26, M41

**Introduction.** This research study examines the essential matter of precise product costing in micro foodservice enterprises in Pagadian City, Philippines. The selling price of a product profoundly influences a business's success or failure, underscoring the necessity for effective cost-recording techniques (Herman et al., 2022). Accurate product costing is essential for resource allocation and profitability in any enterprise (Andersh et al., 2014); yet, micro foodservice firms frequently encounter distinct obstacles stemming from constrained resources, variable supply chains, and fierce competition. Conventional costing procedures, intended for larger organizations, sometimes fall short for smaller businesses, resulting in erroneous pricing, diminished profitability, and weakened competitiveness. This study aims to address the primary research question: "In what manner do micro foodservice enterprises in Pagadian City articulate their product costing methodologies?" Comprehending these methodologies is essential, as erroneous cost estimations immediately influence a company's revenue and profitability (Putri, 2017). Moreover, the intricacies of single and small-batch production, especially common in micro foodservice environments, require creative costing models that consider intangible service elements and frequent product variations (Schuh et al., 2024). The absence of structured costing procedures and restricted resource availability intensify these difficulties. This research enhances the current literature by concentrating on the distinctive difficulties and practices of micro foodservice enterprises within a regional framework, a sector frequently neglected in comprehensive studies on cost management. This study investigates the product costing methods utilized in Pagadian City to identify effective practices and prevalent challenges, providing actionable recommendations to improve cost management, enhance profitability, and promote long-term sustainability in this crucial sector of the local economy. The findings will be pertinent not only to micro foodservice enterprises in Pagadian City but also to analogous companies in other regional contexts encountering similar issues.

**Literature review.** The precise assessment of product costs is essential for the success of any enterprise, especially in the competitive foodservice sector. Herman et al. (2022) underscore the essential function of suitable cost-recording techniques in creating a company's competitive edge via pricing tactics. Andersh et al. (2014) underscore the substantial financial repercussions of erroneous cost projections, where overestimation causes a decline in market share and underestimating leads to direct monetary losses. The complexity is exacerbated by the intrinsic uncertainties associated with product costing, particularly inside hierarchical data structures, where conventional visualization methods frequently prove inadequate (de Matta, 2019). Putri (2017) emphasizes the clear correlation between precise cost calculations and a company's total profitability, highlighting the significance of accurate cost of goods sold assessments. The difficulties are especially evident for micro foodservice enterprises functioning in single or small-batch production settings, typically marked by intangible service elements and rapid product fluctuations (Schuh et al., 2024). Conventional costing methods, like absorption and marginal costing, although prevalent, may insufficiently reflect the intricacies of these environments. Lakmal (2014) delineates the essential distinctions between absorption (full) costing, encompassing all manufacturing expenses, and marginal costing, which accounts solely for variable costs. Kurniadi & Rachman (2024) elucidate the extensive scope of full costing, which includes material inputs, direct

labor, and manufacturing overhead expenses. Nonetheless, these conventional methodologies may prove inadequate for the distinct operational attributes of micro foodservice enterprises. The literature emphasizes the necessity for more advanced costing methodologies customized to particular industrial requirements. Raab and Zemke (2016) promote the implementation of activity-based costing in restaurants to enhance menu pricing and profitability through precise tracking of costs related to specific menu items. Al-Musawi and Allamy (2021) examine process costing, a technique appropriate for allocating costs to multiple identical or analogous units, whereas Sil (2021) highlights the significance of standard costing in juxtaposing actual and predetermined costs for variance analysis and cost management. These strategies, however, may not be easily adaptable or feasible for resource-limited micro foodservice enterprises. Numerous research examine the extensive operational issues encountered by restaurant establishments, encompassing product costing, pricing methods, and employee management (Dingil et al., 2023; Halim et al., 2024; Solon et al., 2021; Elshaer, 2020). These studies typically promote enhanced record-keeping and the implementation of suitable costing procedures (e.g., full or variable costing) to improve profitability and competitiveness. Rounaghi et al. (2021) emphasize the significance of strategic cost management for sustainable growth in manufacturing, whereas Kefe & Çetin (2024) investigate the potential of target costing for cost reduction. Rufino (2014) offers an extensive examination of management accounting's function in facilitating diverse managerial judgments, encompassing product costing and pricing. Enes & Koşan (2024) underscore the necessity of comprehending all cost elements, including labor and overhead, in addition to ingredient expenses, especially for fine-dining enterprises seeking to enhance profitability. The research recognizes the distinct obstacles encountered by Micro Business Enterprises (MBEs) in developing nations (Quingco & Leonoras, 2020; Hampel-Milagrosa, 2014; Mandipaka & Chimucheka, 2015; Putro & LImaniati, 2019). These issues frequently encompass constrained financial resources, ineffective operations, and insufficient readiness for competition. Research underscores the pivotal significance of small enterprises in the Philippine economy (Capiña, 2021; Nwosu & Umeh, 2021; Wang, 2016; Angeles et al., 2019; Andaya et al., 2021; Anoos et al., 2020), accentuating their impact on employment, poverty alleviation, and economic advancement. This analysis identifies a deficiency in the literature regarding the unique product costing methodologies utilized by micro foodservice enterprises in regional settings such as Pagadian City. Although current research examines general facets of cost management and the difficulties encountered by micro-enterprises, there is an absence of concentrated inquiry into the practical implementation of costing methodologies within this particular sector. This research seeks to address this gap by presenting empirical data on the actual operations of these businesses and providing advice customized to their specific circumstances.

**Purpose, objectives and research methods.** This research focuses on the role of micro foodservice businesses in Pagadian City's socio-economic landscape, as they serve as cultural pillars, community connectors, and economic drivers. These businesses face significant challenges in managing product costs due to limited resources and competitive pressures. The study aims to empower these establishments by exploring effective product costing methods and providing insights to enhance their operational efficiency, profitability, and long-term sustainability. The case study method was used to explore the product costing methods of micro food service businesses in Pagadian City. A qualitative case study is a comprehensive investigation of an occurrence in a particular or specified system that seeks to determine the complexity and characteristics of a certain phenomenon within its specific framework. Detailed data were gathered through various sources, such as document analysis, observations, and interviews, emphasizing a small number of cases.

The case study focused on owners of micro food service businesses, aiming to understand the diverse product costing methods employed by these businesses and comprehend their effective methods in sustaining the business in the long run. The researchers used interview guide questions as the primary research instrument to understand product costing strategies implemented by micro

food service businesses in Pagadian City. Semi-structured interviews with owners and managers were conducted using open-ended questions and close observation to uncover the complex dynamics of their costing processes.

Observation also significantly influenced the study, providing a comprehensive knowledge of product costing methods in specific micro food businesses in Pagadian City. Field notes were utilized as a supplementary research instrument, providing comprehensive documentation of observations, discussions, and knowledge acquired during visits to the site and engagements with business owners and employees.

The researchers developed interview guide questions, obtained permission to conduct a study outside the school premises, and obtained a list of micro food service businesses in Pagadian City. They gathered data from eleven micro food service businesses in Pagadian City through semi-structured interviews, transcribed and recorded for easy analysis. The researchers used a methodical approach called naming categories to identify common themes and patterns in the data, organized, categorized, and interpreted to align with the research questions. Triangulation was employed to ensure the internal validity of the study's outcomes, comparing and cross-verifying data from various sources.

The study's results were cross-referenced with existing literature on product costing methods to substantiate the findings further. Corroborative techniques were used to align the new data with established research, and the researchers disclosed any personal biases to maintain transparency and minimize potential bias. This comprehensive approach enhanced the credibility and reliability of the research findings, providing crucial insights into the experiences of micro foodservice business owners in Pagadian City.

**Research results.** The major categories that emerged from the study were Considerations of Micro-food Service Owners in Costing Their Products, Product Costing Methods Used by Micro-Food Service Owners in Pagadian City, Influence of Micro-food Service Owners' Perception of Market Competition on Their Choice of Product Costing Methods, Challenges Faced by Micro-Food Service Owners in Pagadian City in Implementing Product Costing Methods, and Future Plans of Micro-Food Service Owners to Improve Product Costing Methods.

*Considerations of Micro Food Service Owners in Costing Their Products.* The subcategories from this category were Customer Preferences, Ingredient Cost, Market Trends, Labor and Overhead Costs, Portion Control and Standardization.

*Customer Preferences.* This category encompasses aligning product offerings with customers' desires, tastes, feedback, and evolving demands. Micro food service owners prioritize customer satisfaction in determining product cost. The following statements provide evidence for this:

"There is a tendency to change the price because of customer preferences." –P4

"Customer preferences, we listen to their feedback. If they prefer bigger size of lumpia, we adjust the costing and portioning to have an exact pricing that will also not affect our margin." –P5

"Based on customer preferences, we tailor our menu to their liking while maintaining standardized costing. When customers request modifications, such as adding eggs to adobo, I must immediately determine the additional cost." –P6

"What a customer wants, if the demand is high, costs can be optimized through mass production." –P8

"My customers want to feel that their payment is worthwhile, so I consistently maintain the quality." –P9

One of the workers corroborated the response regarding the observation of customer preferences. They claimed that customer feedback is essential for their operational strategy, and they actively listen to and observe customers' feedback regarding food quality and service. One of their objectives was to foster customer loyalty and cultivate a reputation for responsiveness and a dedication to providing high-quality food for all, not just their regular customers. This emphasis on

customer satisfaction is prioritized because, while profitability is essential, they consider customer retention significantly correlated to their ongoing operation within the industry.

**Ingredient Cost.** Ingredient costs are a significant factor in pricing, with owners closely monitoring the prices of raw materials and adjusting their costs based on market fluctuations and the availability of ingredients. The following statements provide evidence for this:

“It just really depends on cost of our ingredients.” —P2

“Add around two pesos, I based my calculations on ingredients.” —P3

“Based on cost of the ingredients. In business sometimes the price of the goods doesn’t maintain, some it’s pricey, some it’s cheaper.” —P4

“Establishing standard costs for dishes is important. I rely on purchase data, ensuring precise ratios of ingredients, like meat, wrappers and vegetables for lumpia. Prices for components have defined ranges, with a buffer for market price fluctuations.” —P5

“Ingredient costs are important; detailed recipes are essential for every dish. These recipes serve as the basis for my computations. For instance, our adobo recipe specifies exact measurements for meat, soy sauce, vinegar and spices.” —P6

“Initially, our focus is on direct product costs. We prioritize ingredients. For instance, when cooking ginataan, we verify prices of coconut milk, sugar and langka (jackfruit)” —P8

“Sinigang pricing directly correlates with meat costs. If pork prices increase in the market, I adjust serving sizes to maintain profit margins.” —P9

One of the workers directly involved in purchasing the ingredients corroborated the response. They claimed that ingredient costs influence pricing decisions. They constantly monitored costs to maintain their profit margin. Serving size adjustments corresponded to price increases, and recipes were detailed to ensure accurate costing and prevent losses from ingredient waste. This constant attention to ingredient costs was considered daily to manage and ensure the business’s financial viability.

**Market Trends.** Market trends influence how owners’ price their products to stay competitive. These trends include consumer demands, popular products, and external market conditions. The following statements provide evidence for this:

“Market Trends. Depends if the dish became in demand, the price will increase in order to gain a profit.” —P2

“Market trends are crucial. When special menu items like lumpia Shanghai are in demand, we procure additional supplies while adhering to our costing template.” —P5

“I closely monitor trending products demanded by customers, as they indicate fast-moving items. For instance, if spicy-flavored lechon is popular, I focus on optimizing costs for related spices.” —P7

“I must also consider market trends. If dishes like kare-kare, with similar ingredients to sinigang, gain popularity, I’ll adjust pricing to maximize supply.” —P9

“Market trends significantly impact our business. When ready-to-eat meals are in demand, we allocate more resources to packaging and marketing.” —P10

One of the workers corroborated the response regarding market trends. They claimed that they constantly adapt their strategies based on customer demand. Specifically, if a particular dish becomes popular, they usually increase their supply while adhering to their costing method to ensure profitability. Cost optimization efforts on ingredients related to trending dishes were one of their focus upon monitoring items, and price adjustment helped maximize their supply. Their responsiveness to market trends enables the business to optimize profitability by allocating resources to high-demand dishes, reducing waste for less popular options, and maintaining competitive pricing. It cultivates customer loyalty by ensuring the availability of desired products and contributes to the overall success and sustainability of the business.

**Labor and Overhead Costs.** Labor and operational costs, such as utilities, packaging, and preparation activities, are integral to pricing decisions. Owners consider these costs to ensure profitability while maintaining efficiency. The following statements provide evidence for this:

“We consider our workers.” –P4

“Labor costs are also factored into pricing. For instance, if two people work on lumpia production for a day, their hourly wages are calculated.” –P5

“Labor costs will also be adjusted based on demand. Increased weekend customers necessitate additional staffing, driving up expenses. Utilities is also included.” –P7

“Direct labor costs, referring to kitchen staff for the specific dish, are also included. Overhead costs are not fully factored into the price-per-dish calculation.” –P8

“Utilities is included and it is also important.” –P9

“I consider the costs of components involved in product preparation, such as ingredients. For instance, when making adobo rice, I break down costs into specific ingredients like pork, soy sauce and spices. I also included the costs of the design and packaging when it comes to delivery.” –P10

One of the workers corroborated the response regarding their labor and overhead expenses. They said that accurately calculating all costs, including labor and overhead, considerably helped them ensure the business remained profitable. By understanding their costs significantly, they can establish competitive prices within the local market.

**Portion Control and Standardization.** Ensuring consistency in portion sizes and adhering to standardized measurements helps manage costs effectively while maintaining product quality. The following statements provide evidence for this:

“All ingredients must adhere to your standardized recipes. When cooking sinigang na baboy, I verify each component and serving measurements. Pork, kangkong, labanos, onions, and tomatoes are standardized for consistency in price and flavor.” –P9

“In my eatery, focusing on silog meals requires strict portion control. Rice, egg and meat allocations must be consistently measured. For instance, our corned beef silog serving features 150 grams of corned beef.” –P11

One of the workers corroborated the emphasis on portion control and standardization. He or she said that the standardized recipe was intended to ensure the consistent quality of their products and to uphold their reputation. The regulation of precise portions was to reduce waste and predict the consumption of ingredients; hence, this would lead to efficient inventory management and avoid cost fluctuations.

*Product Costing Methods Currently Used by Micro Foodservice Owners in Pagadian City.* Product costing methods are essential for determining the total cost of producing goods or services, serving as the foundation for pricing strategies, profitability analysis, and operational decision-making. These methods serve as the backbone of their pricing strategies, ensuring operational expenses are adequately covered while maintaining competitiveness in the local market. By delving into the specific costing methods utilized, this category provides valuable insights into how micro-food service owners navigate the challenges of resource allocation, ingredient pricing, labor costs, and overhead. Understanding these practices sheds light on their business operations and reveals their adaptability and innovation in optimizing financial and operational efficiency amidst economic uncertainties and market dynamics. The subcategories that emerged from this category were Ingredient-Based Costing and Full Costing.

**Ingredient-Based Costing.** This method involves using standardized recipes to ensure consistency in product offerings and accurate cost calculations. Owners base their pricing on predefined ingredient quantities, which simplifies cost tracking and helps maintain stable pricing across products. The following statements provide evidence for this:

Our costing system is based on standardized protocols. Each dish has a set recipe and corresponding costs. For instance, lumpia recipes specify wrapper, meat and vegetable quantities per batch. –P5

Our costing is recipe-based. Each batch's ingredient expenses are itemized. For example, cooking 10 servings of adobo requires 1 kilo of pork, ¼ cup of vinegar, and other ingredients. I then calculate the cost per serving. –P6

I break down the costs of coconut milk, sugar and jackfruit per serving. Precise measurements, such as liters of coconut milk and kilograms of sugar, are essential. This simplifies price calculations and facilitates recipe adjustments. –P8

My costing method relies on standardized recipes, specifying measurements from salt to pork quantities. For sinigang na baboy, one serving equals 200 grams of pork. This ensures precise calculations for bulk preparations and maintains consistent pricing and quality. –P9

One of the workers corroborated the response by summarizing the costs of individual ingredients. They said that they were able to save and decrease certain expenses. The process involved considering wastes through their adjustment, reductions, and yield factors. Ingredients-Based costing employs standardized recipes to calculate costs and determine product pricing. This method ensures consistency in ingredient usage, portion sizes, and quality while simplifying cost tracking and facilitating price adjustments when needed.

Full Costing. Full costing accounts for direct costs, such as ingredients and labor, and indirect or overhead costs, including utilities, packaging, and marketing activities. This comprehensive approach ensures that all expenses are considered when setting product prices. The following statements provide evidence for this:

I total it all to know if I ever got a profit. After getting the capital, I spend it on buying the ingredients. I just roll the capital and deduct the water, electricity and the utilities from my profit. – P2

For utilities, we allocate electricity and water costs to each product. If a batch requires two hours of electricity, we incorporate this into our costing to reflect accurate expenses. –P5

For our business, I break down the time spent on marination, grilling and preparation of other ingredients. Then, I include utility costs like gas and charcoal. Specific tasks, such as cutting and seasoning, also have corresponding costs. I aim to track all expenses from production to the end. –P7

Our method focuses exclusively on material costs and labor expenses, emphasizing direct costing as the most suitable approach for our setup. –P8

In our adobo rice, I already breakdown the price per ingredient and I also included the cost of the packaging and its marketing activities. –P10

Before, I only focus on direct costs, but I learned that if activities like labor and packaging is not included, the business still incurs losses. –P11

One of the workers corroborated the response regarding their direct and indirect costs. He or she said this approach was implemented following an incident that revealed significant losses resulting from previously overlooked packaging and marketing costs. Full costing is a comprehensive approach that accounts for direct and indirect costs, providing micro foodservice owners with a clear understanding of their total expenses. This method ensures that all elements contributing to the production and delivery of a product are considered when determining its price.

*Influence of Micro Foodservice Owner's Perceptions of Market Competition on Their Choice of Product Costing Methods.* Market competition significantly influences micro foodservice owners' decision to select and implement product costing methods. These owners must navigate rival pricing strategies, customer preferences, and unique selling propositions to ensure profitability and align with competitive pricing to attract and retain customers. Subcategories include Focus on Consistency, Competitive Pricing without Undercutting, and Flexibility in Costing.

Focus on Consistency. Micro foodservice owners emphasize maintaining consistent quality and portion sizes in their products. This consistency is seen as a key factor for customer satisfaction and pricing strategy, without the need to drastically lower prices to compete. The following are the statements of the participant:

I won't change my pricing, if you rely on pricing competition, it doesn't mean you will succeed. You need to stick to your own pricing; it is important to have confidence when it comes to selling your products. –P1

If they increased their prices, that's on them. I only stick to mine, as long as I gain profit, that's what matters. I only stick to my own. –P2

My perspective on competition emphasizes consistency in quality over drastically low prices. While others may reduce prices to attract customers, their quality often suffers. My detailed costing approach ensures clarity on flavor and quality, even if our prices aren't the lowest. –P5

In competition, we prioritize consistency in flavor over lower prices. Unlike others offering lump-sum pricing, we adhere to recipe-based costing to ensure customers receive the promised taste. We also maintain consistent portions to safeguard customer satisfaction. –P6

Standardized recipes ensure consistent flavor in my products, setting me apart from competitors offering similar dishes at lower prices but compromised quality. –P9

Despite competitors offering affordable silog meals, I prioritize consistent flavor and portioning to foster customer loyalty and avoid disappointment. –P11

One of the workers corroborated the response regarding the emphasis on product quality consistency. He or she said maintaining consistent product quality and portion sizes was their strategy and prioritized this over price competition. They viewed consistent quality as a crucial differentiator, fostering customer loyalty and justifying pricing.

Competitive Pricing without Undercutting. Owners know market competition but do not believe in undercutting prices to win customers. Instead, they focus on setting prices that reflect the quality of their products, adjusting pricing only when necessary to remain competitive. The following are the statements of the participants:

There is changes, for example corndogs, there are times I depend my pricing to others. If the sales are low, we have no choice but to change the prices in order to gain profit. –P3

I tried to depend on others pricing but I ended up having a hard time to gain profit. I realized that I should just stick on my own, whatever covers my expenses that's where I get to decide. –P4

We tried different costing, yet I failed because I didn't include the expenses in delivery and maintenance of the equipment. –P7

This is just me, competition is important but it is not necessary to lower prices in order to win. –P8

While competitors offer extremely low prices by excluding indirect costs, we comprehensively account for all expenses. Online marketing costs, for instance, must be reflected in our pricing to maintain profitability. –P10

One of the workers corroborated the claim that they monitored competitor activity and market trends. He or she said they gathered insights from customer feedback and complaints and considered analyzing competitors' pricing strategies.

Flexibility in Costing. Micro foodservice owners recognize the need to be flexible in their costing strategies, particularly when market conditions or competition demand adjustments. They also adapt their strategies to incorporate new costing methods to stay competitive and profitable. The following are the statements of the participants:

We must be flexible and track our costing. My costing approach ensures that despite additional activities, our pricing remains justified due to the high-quality products we offer. We tried different costing, yet I failed because I didn't include the expenses in delivery and maintenance of the equipment. –P7

Quality and direct costing enable me to maintain competitive pricing for my products. For instance, if cheaper alternatives emerge, I assess potential suppliers to reduce direct costs. –P8

One of the workers corroborated the emphasis on flexibility in costing strategies. They assess costing procedures and workflows in response to market competition and ensure the effectiveness of their strategy based on their continued operation despite the wide competition



within the industry. They said they gathered their employer's insights regarding their costing strategies.

*Challenges Faced by Micro Foodservice Owners in Pagadian City.* Micro foodservice owners in Pagadian City face operational efficiency, profitability, and sustainability challenges due to fluctuating ingredient costs and overhead expenses. Understanding these obstacles is crucial for understanding their resilience and adaptability. Subcategories include inaccuracies in cost calculation, market volatility, difficulty tracking costs, and operational strain from external factors.

**Inaccuracies in Cost Calculation.** Foodservice owners face difficulties in accurately determining prices due to inconsistencies in serving sizes, fluctuations in ingredient costs, and the inability to calculate some expenses precisely. These inaccuracies make it challenging to achieve reliable profit margins and stable pricing. The following are the statements of the participants:

When it comes to prices, you should also consider the area. There is also a factor that we can't compute all in a production, sometimes we based on approximation. –P1

We calculate if ever there is a gain, if there is, it's only enough. –P2

Sometimes in mixing our products, the quantity doesn't maintain. –P3

Standard costing is challenging when the external factors are unpredictable. It is necessary to adjust in portion sizes in order to balance the costing. –P5

In my experience, labor costs are easily quantifiable, but utility expenses, such as gas and water, are challenging to track. For instance, calculating LPG consumption per batch of kare-kare is difficult, impacting cost allocation accuracy. Fluctuating prices of essential ingredients, such as peanuts for kare-kare, have significant implications so I ended up recomputing per-serving cost. –P6

One of the workers corroborated the claim regarding verifying alignment with market conditions, competition, and target margins. They also said they observed reconciliation differences and adjustments to costing processes.

**Volatility from Market Conditions.** External factors such as fluctuating ingredient prices, natural disasters, and unexpected events like pandemics create instability in the market, forcing owners to constantly adjust their prices and operational strategies to remain competitive and profitable. The following are the statements of the participants:

Market prices for commodities like fish are high, making it challenging to maintain a 50% profit margin, which sometimes drops to 15-20%, especially when the Economic Support Fund (ESF) strengthens pork prices. –P4

External factors, particularly typhoons and pandemics, significantly impact our operations. During typhoons, meat and vegetable prices are high. We must communicate clearly with customers about portion adjustments. Government regulations, including high utility taxes and permit fees, increase overhead expenses. –P5

The significant price increase of commodities profoundly impacts our business. During the ASF crisis, pork prices surged to P300 per kilo, forcing us to consider either increasing barbecue prices or opting for cheaper cuts, affecting product consistency and profit margins. –P7

External factors, such as rising gas and LPG prices, impact my production, necessitating efficient food preparation timing to minimize waste. –P9

Fish prices depend on seasonal demand, leading to periodic increases. Fuel price hikes influence delivery costs, affecting our overall expenses and per-serving pricing. –P10

One of the workers corroborated the claim. They have been experiencing this from global events, prompting them to monitor economic indicators. He or she stated that identifying fluctuations in demand, supply chain disruptions, and price instability helped them adjust and ensure continuous operation within the industry.

**Difficulty in Tracking Costs.** Foodservice owners struggle to balance rising operational costs with maintaining profit margins. This includes dealing with unpredictable expenses, such as

increasing ingredient prices, and the challenge of accurately tracking and recording costs in order to ensure profitability. The following are the statements of the participants:

Number 1 is debt. In business being in debt is normal so we really doesn't have a choice but to increase the menu price. –P4

Sometimes, I must limit orders to avoid losses. Balancing expenses and desired profits is challenging, especially when customers are unaware of current economic conditions like inflation. – P6

My costing method considers all expenses, including indirect costs like electricity and rent. During peak summer seasons, soaring electricity costs can make menu item pricing unrealistic. Previously, our electricity bill increased by 20%, making it challenging to account for each dish. Additionally, rental increases pose significant challenges; our landlord raised the monthly rent by 10%, requiring us to distribute the added cost across all products. –P7

Inaccurate profit projections arise when indirect costs are overlooked in costing. Excluding expenses like utilities can distort financial reports, necessitating recalculations. –P8

My costing method blends various techniques, necessitating precise record-keeping for ingredients and expenses. Unfortunately, inconsistent documentation, especially for gas and miscellaneous costs, hinders my ability to track overall expenses effectively. –P10

One of the workers directly involved in the challenges of cost-revenue analysis corroborated the owner's owner's response. He or she stated that they experience several difficulties in evaluating and stabilizing costs and revenue; those struggles can lead to inaccurate profit projections and the need for frequent recalculations; with that, they acquired the ability to recognize crucial cost factors, including materials and overhead.

**Operational Strain from External Factors.** Foodservice owners face operational strain due to the need to comply with regulations and make necessary adjustments to their operations. This includes dealing with rising costs due to new regulations and managing operational inefficiencies, such as energy consumption and portion control. The following are the statements of the participant:

The primary challenge in my costing is maintaining standard prices despite ingredient price fluctuations. Adjusting portion sizes is important to avoid significant cost disruptions. –P5

In response to increased rent, I optimized expenses by switching to energy-efficient appliances, lowering utility bills. –P7

External factors, such as rising gas and LPG prices, impact my production, necessitating efficient food preparation timing to minimize waste. –P9

I am considering hiring a local supplier to avoid high transportation costs. –P10

Our portion control-based costing requires well-trained staff, as inconsistencies, such as excessive rice serving in silog meals, necessitate supervision for consistency. Additional regulations, like biodegradable packaging, increase costs. Replacing plastic containers with eco-friendly alternatives, although pricier, benefits sustainability and customer perception. –P11

One of the workers corroborated the claim. They evaluated environmental performance, energy consumption, and waste management. They also implement the knowledge of regulatory and environmental policies.

*Future Plans of Micro Foodservice Owners to Improve Product Costing Methods.* Micro foodservice owners in Pagadian City are continuously improving their product costing methods to ensure efficiency, accuracy, and profitability. They recognize the need for innovation and adaptation to stay competitive in the dynamic food service industry. The responses provide insights into their plans to address inefficiencies, secure long-term business growth, and maintain sustainability in an ever-evolving market landscape. The subcategories include technology integration in costing, staff performance enhancement, strategic inventory management, and innovation in product offerings.

**Integration of Technology in Costing.** Foodservice owners face the challenge of integrating modern technology into their operations. This includes automating costing processes using software, implementing point-of-sale (POS) systems for accurate recording, and utilizing digital tools for efficient inventory and recipe management. The following are the statements of the participants:

I'm planning to use POS machine. –P2

Soon, I will use POS. –P3

It's better to use computer and excel yet for now I'm still learning, I hope soon I'll use POS in recording. –P4

I plan to automate our costing process using digital tools to streamline operations. With increasing orders, manual calculations are error-prone and delay decision-making. The software will help identify overestimations or deficiencies. I'll also invest in staff training to understand standard costing and profit relationships. Our cooks and ingredient suppliers must grasp standardized measurements, ensuring consistency in costing and quality – like precisely measuring vinegar, soy sauce and pork for adobo. –P5

As for now, I'm planning to focus on upgrading the recipe management. –P9

I plan to automate my eatery's costing using Excel to track expenses. Excel makes it easier since it's automatic; I just need to input the data. Manual computation of mixed costs can be challenging, especially with multiple processes involved in dish preparation. Excel helps track breakdowns, including labor costs, ingredient expenses, packaging costs. –P10

One of the workers corroborated the statement. He or she stated that they are open to new, existing software and IT systems if they have enough resources, which will help inventory management.

**Enhancing Staff Performance.** A significant challenge for food service owners is improving the efficiency of their operations and ensuring that staff are well-trained to execute tasks consistently. This includes streamlining activities, scheduling production effectively, and fostering a culture of continuous improvement. The following are the statements of the participant:

I will invest in staff training to enhance understanding of standard costing and profit relationships. Our cooks and ingredient suppliers must master standardized measurements to ensure consistency in costing and quality. –P5

I plan to implement additional performance metrics to analyze all aspects of costing. I want to track time spent preparing specific dishes, inefficient process stages, labor costs and potential reductions, equipment usage optimization. By monitoring activities closely, I aim to minimize labor costs, reduce equipment expenses, streamline operations and enhance resource utilization. To achieve this, I'll establish clear production schedules, Focus on bulk orders on specific days, Train staff on process optimization and cost awareness Emphasize waste management and resource conservation. Educating staff on cost-effective practices will foster a mindful work ethic, reducing resource wastage. –P6

I'll focus on teaching staff the right serving sizes. Consistency keeps customers coming back and builds loyalty. –P11

One of the workers corroborated the owner's response. He or she stated they want to standardize processes by analyzing workflows and procedures. They also gather insights from customer suggestions and complaints.

**Strategic Inventory Management.** Owners must address the challenges related to sourcing ingredients and managing inventory effectively. This includes developing supplier partnerships, establishing buffer inventories, and using strategic sourcing to reduce costs and maintain consistent supply. The following are the statements of the participant:

I will generate detailed sales reports to identify profitable menu items. Direct sourcing from suppliers will ensure consistent pricing for ingredients. Establishing a buffer inventory for essential items will mitigate future price fluctuations and supply chain disruptions. –P8

Establishing long-term supplier partnerships will stabilize ingredient prices, enabling predictable costs and mitigating price volatility. –P9

I will explore logistics partnerships like buknoy to reduce delivery costs and save time. –P10

One of the workers corroborated the claim. He or she stated that they want to monitor the transparency of supplier performance. They also claimed that they want efficiency in handling and shipping processes.

Innovation in Menu Offerings. Foodservice owners face the challenge of adapting to market trends and customer preferences by continuously innovating their menu and product offerings. This includes introducing seasonal ingredients, creating digital recipes, and developing pre-portioned food packs to improve cost efficiency. The following are the statements of the participants:

I plan to automate our costing process using digital tools to enhance efficiency and accuracy. –P5

I intend to prioritize energy efficiency to minimize overhead costs. Implementing energy-efficient appliances, such as induction cookers and LED lights, will significantly reduce expenses. –P7

I aim to establish standardized recipes for each dish, enabling accurate ingredient cost tracking. This facilitates timely price adjustments, such as updating sinigang serving costs when pork prices fluctuate. –P9

To optimize efficiency, I'll introduce pre-packaged meal components, such as silog meals with standardized corned beef and rice portions. –P11

One of the workers corroborated the response. He or she stated that they are open to reconciling differences and improvements. Maximizing their menu and product offerings helped them adapt to trends.

**Discussion.** Micro foodservice owners prioritize aligning their product offerings with customer preferences to maintain satisfaction and loyalty. They incorporate feedback and adjust portions or recipes based on customer demands to minimize the risk of losing patrons. This aligns with the loss aversion principle in Prospect Theory, as owners perceive customer dissatisfaction as a significant loss that must be avoided. Adjusting recipes or portions is framed as a gain, fostering customer loyalty and trust.

Ingredient costs are a critical component of product pricing, and owners actively monitor price fluctuations and ensure precise measurements to minimize waste and maintain profitability. The certainty effect in Prospect Theory is evident here, as owners use precise measurements and tracking costs closely to reduce uncertainty associated with fluctuating ingredient prices. This approach minimizes perceived losses, such as overspending or mispricing, and allows for greater financial control.

Adapting to market trends is a strategic way for micro foodservice owners to remain relevant and competitive. Owners modify their offerings to align with customer demand and industry trends, such as featuring popular or seasonal ingredients. Market trends are framed as opportunities to maximize gains while avoiding losses from becoming outdated. Owners weigh the potential rewards of aligning with trends against the risks of ignoring them, demonstrating strategic decision-making under uncertainty.

Labor and overhead costs, including utilities, rent, and equipment maintenance, significantly influence costing strategies. Owners allocate these costs across their products to ensure accurate pricing and profitability. Standardizing recipes and portion sizes create a predictable operational framework that minimizes uncertainty and safeguards customer trust.

This study offers actionable recommendations for micro foodservice owners, policymakers, and business development organizations to address challenges faced by small-scale enterprises. Adopting structured methods like recipe-based and full costing ensures accurate pricing and reduces financial risks. Implementing standardized recipes, digital tools, staff training, and market monitoring enhances efficiency, reduces waste, and boosts competitiveness. Policymakers can

support these businesses through training programs, technology subsidies, and partnerships to stabilize ingredient costs. Business development organizations can assist by creating user-friendly tools, mentorship programs, and resource-sharing initiatives. These recommendations are adaptable to other small-scale industries, promoting sustainability and resilience.

Micro foodservice owners use standardized ingredients to mitigate risks of overestimating costs, mispricing, or wasting ingredients, while also ensuring consistent value for customers. This approach aligns with the certainty effect in Prospect Theory, reducing uncertainty and perceived risks of financial losses. The emphasis on consistent quality reflects the owners' aversion to potential customer dissatisfaction.

On the other hand, full costing involves including all production elements in pricing calculations, ensuring profitability despite fluctuating costs. This method supports sustainable business operations and minimizes financial risks, aligning with the principles of Prospect Theory.

To enhance the financial and operational management of micro foodservice businesses, owners should use standardized recipes, account for all costs, and adapt to market changes. Technology, such as point-of-sale systems, can streamline costing, while staff training on inventory and portion control reduces waste and improves quality. Policymakers can support these efforts through training, technology subsidies, and supplier partnerships. Business development organizations can provide costing templates, mentorship, and resource-sharing solutions. These strategies foster sustainability and resilience, making them adaptable to other small industries.

Micro foodservice owners prioritize maintaining consistent product quality and portion sizes to build customer trust and loyalty, aligning with loss aversion principles in Prospect Theory. They minimize risks by ensuring customers receive reliable value, reducing perceived losses and maintaining operational stability. They avoid aggressive price reductions, opting for sustainable pricing that reflects the value and quality of their products. This aligns with the certainty effect in Prospect Theory, where owners prefer stable, predictable pricing strategies over uncertain outcomes of price wars.

Cost flexibility allows owners to adjust their strategies in response to changing market conditions, ingredient availability, and customer demands. Adaptive costing reflects the framing effect and loss aversion principles in Prospect Theory, allowing owners to minimize perceived losses and prioritize adjustments that safeguard profitability.

Owners are encouraged to standardize recipes and portion sizes, adopt value-driven pricing strategies, and implement flexible costing methods to adapt to market changes and fluctuating costs. Policymakers can support these efforts through training programs on recipe standardization, tax incentives for sustainable pricing, and resources to encourage adaptive costing. Business development organizations can provide templates, tools, and training to promote quality assurance, value-based marketing, and operational adaptability. These recommendations are scalable and applicable to other small-scale industries, fostering long-term sustainability and resilience in dynamic markets.

Micro foodservice owners face challenges in determining accurate costs due to inconsistent serving sizes, overlooked indirect costs, and fluctuating ingredient prices. This aligns with loss aversion, as owners prioritize strategies that minimize risks, such as recalculating costs and including overlooked expenses. The tendency to undervalue indirect costs underscores the importance of comprehensive cost tracking to mitigate perceived losses. Market volatility, such as fluctuating ingredient prices and supply chain disruptions, significantly impacts costing strategies, highlighting the framing effect.

Difficulty in tracking costs is a recurring challenge for micro foodservice owners, demonstrating loss aversion as they strive to avoid significant losses associated with unbalanced costs and shrinking profit margins. Their decisions often involve trade-offs, such as raising prices to cover expenses while risking customer dissatisfaction.

Compliance with government regulations and managing environmental challenges create additional operational strain for micro foodservice owners. Owners perceive compliance with regulations and environmental changes as necessary to avoid long-term losses in reputation and sustainability despite immediate financial strain.

Owners are encouraged to adopt comprehensive cost-tracking systems, implement adaptive pricing strategies, invest in energy-efficient practices, and train staff to minimize waste and optimize resources. Policymakers can support these efforts through subsidies for digital tools, predictable regulations, and partnerships with local suppliers to stabilize costs. Business development organizations can offer training programs, cooperative resource models, and regulatory compliance tools to enhance efficiency.

Micro foodservice owners are increasingly adopting technology to streamline costing and operational processes, aligning with the certainty effect and risk-averse strategies. They prioritize staff training, precise scheduling, and performance metrics to improve operational efficiency and reduce risk. Strategic sourcing and inventory management are also crucial, focusing on minimizing waste and cost volatility risks while maximizing savings from bulk purchases. Owners view reliable inventory management as a safeguard against financial losses due to ingredient shortages or price surges.

Innovation is another key strategy for micro foodservice owners, as it allows them to adapt to market trends, increase profitability, and cater to customer preferences. Seasonal menus and unique offerings help maintain competitiveness. Policymakers can support these strategies through technology subsidies, supplier collaborations, and cost management training, while business organizations can provide tools, mentorship, and resource-sharing initiatives. These scalable strategies promote resilience and sustainability in dynamic markets. Overall, micro foodservice owners are leveraging technology, staff training, strategic sourcing, and innovation to enhance profitability, efficiency, and adaptability.

**Conclusions.** This research explored the varied product costing methods of micro foodservice businesses in Pagadian City and the contextual elements that influenced them, answering the central research question. Adapting numerous costing methods to each business's demands and constraints was realistic. Challenges highlight the need for help and resources to improve costing accuracy and effectiveness. Future goals showed growth and success through technological integration and operational improvements. The practical implications of this discovery are significant. Pricing accuracy, market volatility control, and profit margin balance could be addressed through support and training programs. Micro foodservice owners could benefit from government and industry tools and education to improve cost and business sustainability. Considering its limitations, this study offers valuable information. Future research could overcome these challenges by using more extensive, diverse samples and integrating quantitative and qualitative data. Research could examine the long-term consequences of numerous costing methodologies on financial success and longevity. Comprehensive research of technical approaches that could aid Pagadian City micro foodservice enterprises would be helpful. Comparative studies among regions or micro foodservice operations may reveal product costing techniques. In conclusion, this study sheds light on Pagadian City micro foodservice firms' product costing methodologies. This study examined these businesses' issues, methods, challenges, and future goals. It offered practical solutions for optimizing costing processes and boosting the sustainability and profitability of this vital industry. This study showed the need for specific support and more research on micro foodservice businesses' unique challenges in this dynamic sector. In conclusion, this study provides valuable insights into the product costing methods employed by micro foodservice businesses in Pagadian City. This research outlined these businesses' considerations, methods, challenges, and plans, and it provides practical recommendations for optimizing costing processes and boosting this essential industry's overall sustainability and profitability. The findings of this research study highlighted the importance of specialized support and further studies to focus on distinct complications encountered by micro foodservice owners in this dynamic market environment.

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**Дослідження методів калькуляції вартості продуктів мікропідприємствами громадського харчування в місті Пагадіан: кейс-стаді**

**Анотація.** Це дослідження аналізує методи калькуляції вартості продуктів, які застосовують мікропідприємства громадського харчування в місті Пагадіан, зосереджуючись на тому, як власники справляються з операційними викликами, фінансовими обмеженнями та ринковою конкуренцією. Керуючись теорією перспектив, дослідження розглядає процеси прийняття рішень щодо вибору конкретних методів калькуляції та їх вплив на сталість бізнесу. За допомогою якісних методів дані були зібрані через інтерв'ю з власниками мікропідприємств громадського харчування, що дало змогу отримати детальне розуміння їхніх практик і труднощів. Результати виявили два основні підходи до калькуляції: калькуляція на основі інгредієнтів та повна калькуляція. Ці методи підкреслюють зусилля власників щодо забезпечення точності, контролю витрат і збереження якості в умовах нестабільного ринку та обмежених ресурсів. Виокремлено ключові теми, зокрема пріоритетність сталості та якості, потреба в гнучкості у калькуляції та постачанні, а також вплив зовнішніх факторів, таких як регуляторні вимоги та ринкова волатильність. Крім того, власники стикаються з труднощами у відстеженні витрат, забезпеченні відповідності нормам і оптимізації операційної ефективності. На основі результатів дослідження запропоновано практичні рекомендації для підвищення сталості та прибутковості, зокрема впровадження цифрових інструментів для відстеження витрат, програм навчання персоналу, розвитку партнерств із постачальниками та використання інноваційних стратегій меню. Це дослідження сприяє розумінню того, як мікропідприємства громадського харчування приймають стратегічні рішення в умовах невизначеності, і надає практичні ідеї для підтримки їхнього зростання та стійкості на конкурентних ринках.

**Ключові слова:** методи калькуляції вартості продуктів, управління витратами, мікропідприємства громадського харчування, теорія перспектив, повна калькуляція, відстеження витрат

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