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Target Costing as a Cost Reduction Strategy in FMCG Companies in Kyoto, Japan

Ardin Dolok Saribu[1], Esra Romaito Silalahi[2], Romauli Tiurmaida Togatorop[3], Jeremia Sitorus[4], Rellis Cindi Sianturi[5], Ica Yohana[6], Astrid fani S[7], Saniati Naibaho[8]

[1,2,3,4,5,6,7,8]Accounting Study Program, Universitas HKBP Nommensen, Medan, Indonesia.
Email: ardindoloksaribu@uhn.ac.id[1], esra.silalahi@student.uhn.ac.id[2], romauli.togatorop@student.uhn.ac.id[3], jeremia.sitorus@student.uhn.ac.id[4], rellis.sianturi@student.uhn.ac.id[5], ica.yohana@student.uhn.ac.id6, astrid.fani@student.uhn.ac.id[7], saniati.naibaho@student.uhn.ac.id[8]

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ABSTRACT

This study examines the role of target costing as a cost reduction strategy in Fast Moving Consumer Goods (FMCG) companies in Kyoto, Japan. The sector faces intense price competition, rapid product turnover, and rising operational costs, requiring firms to improve efficiency without reducing product quality. This study applies a qualitative systematic literature review. Relevant journal articles, academic books, and scholarly publications were identified through academic databases and search engines, screened using predetermined inclusion and exclusion criteria, and analyzed through descriptive qualitative analysis and thematic synthesis. The review focuses on target costing, cost reduction strategies, operational efficiency, profitability, and firm growth. The findings show that target costing is a market-oriented cost management approach that determines allowable product costs by deducting expected profit from the target selling price. Its implementation supports early cost control, reduces non-value-added activities and waste, improves operational efficiency, and encourages product and process innovation. These outcomes can strengthen profitability, price competitiveness, product development, and market expansion. However, the reviewed literature provides limited empirical and quantitative evidence on target costing implementation in FMCG companies, particularly in Kyoto. Therefore, the findings should be interpreted as a conceptual synthesis rather than statistically tested causal relationships. This study contributes to strategic management accounting by clarifying the links among target costing, cost efficiency, operational performance, profitability, and firm growth. It also recommends integrating target costing with value engineering, cross-functional coordination, supplier management, and reliable cost information systems.

Keywords: Target Costing, Cost Reduction Strategy, Operational Efficiency, Profitability, Firm Growth.

I. Introduction

The Fast-Moving Consumer Goods (FMCG) industry plays an important role in meeting consumers' daily needs through products such as food, beverages, personal care items, cleaning products, and household necessities. FMCG products typically have high demand, short purchasing cycles, rapid inventory turnover, and intense price competition. These characteristics require companies to balance competitive pricing, product quality, product availability, and operational efficiency. FMCG companies must also respond to changing consumer preferences, digital transformation, supply chain disruptions, and increasing pressure to

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make faster and more accurate operational decisions. Digital transformation has become an important factor in strengthening FMCG supply chains. Tazvivinga and Samuels (2024) explain that digital transformation can improve supply chain visibility, agility, and data-based decision-making, which may strengthen operational performance and organizational resilience. Büyüközkan and Göçer (2018) similarly argue that digital supply chains improve connectivity, information sharing, responsiveness, and coordination across the value chain. Sanders et al. (2019) further show that artificial intelligence and digitalization can support forecasting, resource efficiency, and sustainable supply chain management when companies possess adequate technological and organizational capabilities.

Price competition represents a major challenge for FMCG companies because consumers can choose from many substitute products. This high level of substitutability increases consumer sensitivity to differences in price and quality. Companies therefore cannot rely solely on increasing selling prices to protect their profit margins. They must manage production, procurement, inventory, logistics, and administrative costs more strategically. Panhwar et al. (2022) indicate that the profitability of FMCG companies depends partly on their ability to manage financial and operational factors. Effective cost management is therefore essential for maintaining profitability, competitiveness, and long-term business continuity. Production costs cannot be managed separately from product quality and supply chain relationships. Akbar et al. (2025) found that green supply chain management practices involving suppliers and customers can contribute to production cost reduction, operational flexibility, product quality, and corporate reputation. Their findings indicate that cost efficiency requires coordination with external supply chain partners rather than an exclusive focus on internal production activities. This condition is relevant to FMCG companies because their operations depend on the continuous availability of raw materials, reliable suppliers, efficient distribution, and consistent product quality.

Digital technologies also influence how companies identify and manage supply chain risks. Ivanov et al. (2019) explain that Industry 4.0 technologies can improve supply chain risk analysis by increasing visibility into disruption propagation and ripple effects across production, inventory, and distribution activities. These capabilities are important for FMCG companies because interruptions in one part of the supply chain can quickly affect product availability, operating costs, and customer satisfaction. One approach to addressing cost pressure is a cost reduction strategy. Cost reduction should not be interpreted as the indiscriminate elimination of expenses. It refers to a systematic process of identifying and reducing non-value-added activities, improving operational processes, controlling waste, increasing resource productivity, and maintaining customer value. Kohana et al. (2023) explain that cost reduction strategies can support the growth of FMCG companies in Kyoto, Japan, through increased operational efficiency, waste reduction, and profitability. However, poorly planned cost reductions may lower product quality, weaken employee capacity, disrupt supply chain activities, and reduce customer satisfaction. Cost reduction must therefore focus on sustainable efficiency rather than short-term expenditure cuts.

Within strategic management accounting, target costing provides a market-oriented approach to cost planning and control. Target costing begins with the selling price that customers are willing to pay. The company then deducts its expected profit to determine the maximum allowable product cost. This process differs from traditional cost-plus pricing, in which the company determines the selling price by adding a profit margin to the production cost. Target costing requires companies to align market expectations, product specifications, target profit, and allowable cost before full production begins. Zengin and Ada (2010) explain that target costing helps companies manage costs during product planning and design, when managers still have significant opportunities to modify materials, product features, production methods, and supplier arrangements. Cost control conducted after production begins provides less flexibility because many cost commitments have already been established. Target costing therefore functions as more than an accounting calculation. It operates as a strategic management mechanism that connects customer requirements, competitive prices, product design, and profitability objectives.

The implementation of target costing also requires cross-functional collaboration. Dekker and Smidt (2003) describe target costing as a market-based cost management practice that integrates product

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development and profitability objectives. Ellram (2006) further emphasizes the involvement of purchasing, production, marketing, research and development, accounting, and supply chain functions. Such collaboration allows companies to evaluate cost implications across the complete value chain. It also prevents cost reduction decisions in one department from creating additional costs or quality problems in another department. Reliable cost information is necessary for effective cross-functional decision-making. Hallikas et al. (2021) show that procurement digitalization and data analytics can strengthen supply chain performance by improving information quality, supplier evaluation, coordination, and evidence-based decision-making. These capabilities are relevant to target costing because managers require accurate information on material prices, supplier performance, logistics expenses, and production costs to establish realistic target costs and evaluate cost variances.

Supply chain coordination has become increasingly important because disruptions, material-price changes, supplier dependence, and logistics complexity can affect the achievement of target costs. Putri et al. (2026) found that green innovation strategies and green logistics management practices can strengthen supply chain resilience. Their study also shows that structural and dynamic supply chain complexity influence how companies implement innovation and logistics strategies. Although their research focuses on manufacturing companies rather than FMCG companies specifically, the findings support the argument that cost management must consider supply chain complexity, logistics capability, and organizational resilience. Large-scale disruptions can affect supply, demand, production, and distribution simultaneously. Queiroz et al. (2022) show that companies need to integrate resilience, flexibility, risk management, and coordinated decision-making into their supply chain strategies. Wieland and Durach (2021) further explain that supply chain resilience involves the ability to persist, adapt, or transform in response to environmental change. This perspective indicates that FMCG companies must balance cost efficiency with sufficient flexibility to respond to unexpected market and supply disruptions.

Target costing may also encourage product and process innovation. Companies that establish predetermined cost targets must identify alternative materials, packaging designs, production technologies, distribution systems, and supplier arrangements that can achieve the required cost without reducing customer value. Gonçalves et al. (2018) associate target costing with innovation because the method encourages organizations to modify product and process configurations in response to cost and market requirements. In the FMCG sector, this process may involve reducing packaging waste, adjusting product sizes, improving production layouts, automating repetitive activities, or redesigning logistics processes. Wieland (2021) argues that supply chains should be understood as dynamic and transformative systems rather than static operational structures. This perspective supports the continuous application of target costing because product design, sourcing arrangements, production processes, and distribution systems must adapt to changes in market conditions, technology, and customer preferences. Target costing therefore supports not only cost control but also organizational adaptation and continuous improvement.

Innovation becomes particularly important when conventional price competition no longer provides a sustainable advantage. Wijaya and Harianto (2025) show that cost efficiency and marketing innovation can be integrated through a strategic framework that evaluates competition, customer value, and market opportunities. Their case study demonstrates that firms facing intense price competition may need to redesign their value propositions instead of competing exclusively through lower prices. This perspective supports target costing because the method requires companies to achieve cost objectives while preserving the product attributes valued by customers. Despite its potential benefits, target costing implementation faces several organizational and environmental constraints. Companies require reliable cost information, accurate market-price estimates, realistic profit targets, effective supplier relationships, and strong coordination among departments. External factors such as inflation, raw material price volatility, changing consumer behavior, digital transformation, supply chain disruptions, and competitive pressure may also affect the achievement of target costs. These factors indicate that target costing should not be treated as a static accounting formula. It should be viewed as a continuous strategic process that requires regular cost evaluation and market adaptation.

Previous studies have discussed target costing, cost reduction, operational efficiency, innovation, supply chain resilience, and firm performance. However, several limitations remain. First, much of the literature examines these concepts separately and does not fully explain how target costing supports cost reduction and how the resulting efficiency contributes to profitability and firm growth. Second, many studies focus on manufacturing industries in general and provide limited evidence concerning the specific operational characteristics of FMCG companies. Third, the literature offers insufficient empirical evidence and practical examples of target costing implementation among FMCG companies in Kyoto, Japan. Kohana et al. (2023) discuss cost reduction and FMCG company growth in Kyoto, but they do not examine target costing as a specific cost management mechanism in sufficient depth. This study addresses these limitations by examining target costing as a strategic cost reduction approach in FMCG companies in Kyoto, Japan. Specifically, it investigates how target costing supports cost reduction, the mechanisms through which it may improve operational efficiency, profitability, and firm growth, and the organizational and external factors that influence its implementation within the FMCG context. Accordingly, this study aims to analyze the role of target costing in controlling costs, improving operational efficiency, maintaining product quality, strengthening profitability, and supporting the competitiveness of FMCG companies. The study contributes theoretically by integrating target costing, cost reduction, operational efficiency, profitability, innovation, supply chain resilience, and firm growth within a structured conceptual framework. It also provides practical implications for managers seeking to coordinate product design, supplier management, cost information, value engineering, digital technologies, and cross-functional decision-making.

II. Literature Review and Hypothesis Development

2.1. Target Costing

Target costing is one of the strategic approaches in management accounting used to control costs from the product planning and design stages. Unlike the traditional approach, which determines the selling price by adding production costs and expected profit, target costing begins with the market price that consumers are willing to accept. After the market price is determined, the company sets the target profit and then calculates the maximum allowable cost so that the product remains profitable. Thus, target costing is market-driven because cost decisions are not only based on the company's internal conditions but also consider consumer purchasing power, competitive pressure, and the quality standards expected by the market. Zengin and Ada (2010) explain that target costing plays an important role in cost management through product design, particularly because most product costs are influenced by decisions made during the early stages of product development. Therefore, cost control carried out after the production process has begun is often less effective because the opportunity for cost improvement becomes more limited. In this context, target costing helps companies integrate customer needs, product specifications, target prices, and target profits into a systematic cost planning process.

Dekker and Smidt (2003) show that target costing has been used by various manufacturing companies as a market-oriented cost control mechanism. This finding strengthens the view that target costing is not merely a cost accounting tool but also part of a managerial strategy to create competitive products. In addition, Ellram (2006) emphasizes that the successful implementation of target costing requires cross-functional involvement, including production, marketing, purchasing, research and development, and supply chain management. This indicates that target costing cannot be implemented partially by the accounting department alone but requires comprehensive organizational coordination. In the Fast Moving Consumer Goods (FMCG) industry, the implementation of target costing is increasingly relevant because FMCG products are characterized by intense price competition, rapid product cycles, and consumers who are sensitive to price changes. FMCG companies are required to produce high-quality products at competitive prices. Therefore, target costing can be used as an approach to maintain a balance between cost efficiency, product quality, and company profitability.

2.2. Cost Reduction Strategy

A cost reduction strategy is a systematic effort by a company to reduce operational costs, production costs, distribution costs, and other costs that do not provide added value without decreasing product or service quality. This strategy differs from short-term cost cutting, which often focuses only on reducing expenses. Strategic cost reduction must be directed toward process improvement, efficient use of resources, waste reduction, and increased productivity. Kohana et al. (2023) explain that cost reduction strategies play an important role in driving the growth of FMCG companies in Kyoto, Japan. In the FMCG industry, an efficient cost structure is one of the key factors because companies must face price pressure, competition from substitute products, and consumer demands for product quality and availability. Companies that are able to reduce costs effectively have greater opportunities to increase profit margins, improve competitiveness, and strengthen their market position.

Cost reduction strategies are also closely related to supply chain management. Kristanti and Mranani (2024) show that cost reduction as part of supply chain driver elements affects purchasing and logistics performance. This indicates that cost efficiency does not only occur in the production process but also in raw material procurement, inventory management, distribution, and supplier relationships. Therefore, cost reduction strategies should be understood as a comprehensive approach involving all activities within the company's value chain. In practice, cost reduction strategies can be implemented through various approaches, such as production process improvement, waste control, just-in-time purchasing, vendor-managed inventory, logistics efficiency, digital technology utilization, and strengthened cross-functional coordination. Fadjarenie et al. (2024) emphasize that cost reduction strategies in the manufacturing industry can strengthen efficiency and support sustainable corporate performance. Therefore, effective cost reduction strategies should be directed toward long-term efficiency, not merely short-term cost savings.

2.3. Target Costing as an Instrument of Cost Reduction

Target costing can be viewed as one of the main instruments in cost reduction strategies because this method helps companies set cost limits from the early stages of product development. Using the target costing approach, a company first determines the selling price that fits market conditions, then sets the expected profit, and subsequently calculates the target cost that must be achieved. The general formula of target costing can be expressed as follows:

Target Cost = Target Selling Price – Target Profit

This formula shows that cost is no longer the main basis for determining the selling price but must be adjusted to the price acceptable to the market. In the FMCG industry, this approach is very important because companies do not always have the flexibility to increase product prices. If a company raises prices too high, consumers may switch to competitors' products. Therefore, companies must control costs in order to earn profits without losing price competitiveness. Zengin and Ada (2010) state that target costing helps companies manage product costs while maintaining quality specifications that meet customer needs. Thus, target costing is not only oriented toward cost reduction but also toward value creation for consumers. This approach is in line with the concept of value engineering, which is the process of evaluating product functions and finding alternative designs, raw materials, or production processes that are more efficient without reducing the main benefits of the product. Furthermore, Gonçalves et al. (2018) show that target costing is related to innovation because it encourages companies to find more efficient cost, design, and process configurations. In the context of FMCG companies, cost innovation can be carried out through packaging changes, the use of alternative raw materials, production process efficiency, distribution system improvement, and technology utilization in the supply chain. Thus, target costing not only supports cost reduction but also encourages innovation and the improvement of corporate competitiveness.

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Based on the discussion above, the following hypothesis can be developed:

H1: Target costing has a positive effect on cost reduction strategies in FMCG companies.

2.4. Target Costing and Operational Efficiency

Operational efficiency refers to a company's ability to use resources optimally to produce output at lower cost, in less time, and with maintained quality. In FMCG companies, operational efficiency is an important factor because products have rapid turnover and high demand pressure. Companies need to ensure that production, procurement, distribution, and inventory management processes run effectively so that costs can be controlled. Target costing plays a role in improving operational efficiency because this method requires companies to evaluate all cost components from the early stages. Every cost that does not provide added value must be identified and reduced. This process encourages companies to conduct cross-functional coordination, improve product design, select more efficient raw materials, and optimize production processes. Ellram (2006) emphasizes that the implementation of target costing requires the involvement of purchasing and supply chain functions because cost control is often strongly influenced by raw material procurement decisions, supplier relationships, and logistics efficiency.

Operational efficiency is also related to a company's ability to deal with business environmental uncertainty. Tazvivinga and Samuels (2024) explain that digital transformation in FMCG supply chains can improve visibility, operational efficiency, and corporate resilience. In this regard, target costing can be strengthened through accurate cost information, data integration, and technology-based supply chain coordination. Thus, companies can control costs more accurately and respond more effectively to market changes. Based on the discussion above, the following hypothesis can be developed:

H2: Target costing has a positive effect on the operational efficiency of FMCG companies.

2.5. Cost Reduction Strategy and Profitability

Profitability is a company's ability to generate profit from its operational activities. In the FMCG industry, profitability is strongly influenced by cost structure because companies often face relatively thin profit margins and intense price competition. If a company is unable to control production, distribution, and operational costs, profit margins may decline even when sales volume increases. Cost reduction strategies can improve profitability by reducing non-value-added costs, increasing productivity, and using resources more efficiently. Kohana et al. (2023) show that cost reduction strategies contribute to the growth of FMCG companies in Kyoto, Japan, particularly through increased efficiency and profitability. This indicates that companies capable of managing costs effectively have greater opportunities to achieve optimal profits. Rooly et al. (2024) also show that cost management practices are related to the profitability of manufacturing companies. This strengthens the argument that good cost management can improve a company's financial performance. In the FMCG context, cost reduction strategies can provide room for companies to maintain competitive prices without sacrificing profit. With more controlled costs, companies can increase margins, expand investment, and strengthen business sustainability.

Based on the discussion above, the following hypothesis can be developed:

H3: Cost reduction strategies have a positive effect on the profitability of FMCG companies.

2.6. Operational Efficiency and Firm Growth

Firm growth reflects a company's ability to increase business scale, whether through sales growth, asset growth, market expansion, product innovation, or profit growth. In the FMCG industry, firm growth is not only determined by sales volume but also by the company's ability to maintain operational efficiency. High sales do not always result in healthy growth if operational costs are not controlled. Operational efficiency can drive firm growth because companies have greater resources to allocate to product innovation, market expansion, technological improvement, and distribution strengthening. When costs can be controlled, companies have greater strategic flexibility in setting prices, improving quality, and expanding markets. Yadav et al. (2022) show that firm growth has a positive relationship with profitability, although this relationship may be influenced by firm size and potential inefficiency as the company becomes larger.

In the FMCG context, operational efficiency can also improve the company's responsiveness to market needs. Companies with efficient production and distribution processes are better able to meet consumer demand quickly and consistently. This can strengthen corporate competitiveness and encourage sales growth. Therefore, operational efficiency is one of the important factors in supporting sustainable firm growth. Based on the discussion above, the following hypothesis can be developed:

H4: Operational efficiency has a positive effect on the growth of FMCG companies.

2.7. Profitability and Firm Growth

Profitability is one of the important indicators for assessing company success. Companies with high profitability tend to have greater capacity to finance business expansion, develop new products, improve technology, strengthen distribution, and expand markets. Therefore, profitability can serve as a driving factor of firm growth. Yadav et al. (2022) found a positive relationship between firm growth and profitability among companies in Asia-Pacific markets. This finding indicates that companies that are able to grow effectively tend to have better profitability, especially when such growth is supported by efficiency and cost control. In the FMCG industry, strong profitability can enhance a company's ability to survive intense price competition and make long-term investments. However, firm growth that is not accompanied by efficiency may create risks of increasing costs, operational complexity, and declining margins. Therefore, profitability should be understood both as the result of effective cost strategies and as a resource for supporting firm growth. In other words, FMCG companies that are able to improve profitability through target costing and cost reduction have greater opportunities to achieve sustainable growth. Based on the discussion above, the following hypothesis can be developed:

H5: Profitability has a positive effect on the growth of FMCG companies.

2.8. The Mediating Role of Cost Reduction Strategy and Operational Efficiency

Conceptually, target costing does not only have a direct impact on firm growth but can also affect growth through cost reduction strategies and operational efficiency. When companies implement target costing, they are encouraged to identify costs that do not provide added value, improve product design, optimize raw material usage, and strengthen cross-functional coordination. This process will reinforce cost reduction strategies and improve operational efficiency. The resulting cost efficiency and operational efficiency can then increase company profitability. Better profitability provides room for companies to expand markets, invest in technology, innovate products, and strengthen distribution networks. Thus, target costing can indirectly encourage firm growth through cost improvement, efficiency, and profitability. Based on the discussion above, the following mediation hypotheses can be developed:

H6: Cost reduction strategy mediates the effect of target costing on the growth of FMCG companies.
H7: Operational efficiency mediates the effect of target costing on the growth of FMCG companies.

2.9. Conceptual Framework

Based on the literature review and hypothesis development, this study positions target costing as the main variable that influences cost reduction strategies and operational efficiency. Cost reduction strategies are predicted to affect profitability, while operational efficiency and profitability are predicted to affect the growth of FMCG companies. In addition, cost reduction strategies and operational efficiency are positioned as mediating variables that explain how target costing can drive firm growth.

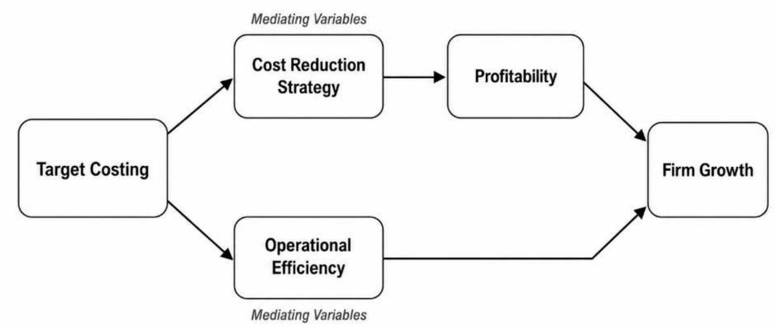

Figure 1. Conceptual Framework of the Study

Through this framework, this study is expected to provide a more systematic understanding of the role of target costing as a cost reduction strategy in driving the growth of FMCG companies in Kyoto, Japan.

III. Research Method

This study uses a qualitative approach with the systematic literature review (SLR) method. This method was selected because the purpose of the study is to conceptually analyze the implementation of target costing as a cost reduction strategy in driving the growth of Fast Moving Consumer Goods (FMCG) companies in Kyoto, Japan. The SLR approach is used to identify, evaluate, and synthesize findings from previous studies that are relevant to the topics of target costing, cost reduction strategies, operational efficiency, profitability, and firm growth. A literature review can be used as a research methodology when the process of collecting, selecting, analyzing, and synthesizing literature is conducted systematically and transparently (Snyder, 2019). In addition, systematic reviews in the field of management can help researchers build evidence-based knowledge through a structured process of literature search and evaluation (Tranfield et al., 2003).

The data sources in this study consist of secondary data in the form of scientific journal articles, academic books, and scholarly publications relevant to the research topic. The main literature used in this study is the article by Kohana et al. (2023), which discusses cost reduction strategies and the growth of FMCG companies in Kyoto, Japan. In addition, this study also uses supporting literature on target costing and cost management, including Dekker and Smidt (2003), Ellram (2006), Zengin and Ada (2010), and other studies relevant to cost efficiency and firm growth. The use of these sources aims to establish a strong theoretical foundation and clarify the relationship between target costing, cost reduction, and firm growth.

The data collection process was conducted through literature searches in several academic databases and scholarly search engines, such as Google Scholar, ScienceDirect, Taylor & Francis Online, Wiley Online Library, Emerald Insight, SpringerLink, Crossref, and relevant national journal portals. The keywords used in the search process included "target costing," "cost reduction strategy," "cost management," "operational efficiency," "profitability," "firm growth," "FMCG companies," "target costing and cost reduction," and "cost reduction strategies and growth of FMCG companies." To obtain more relevant literature, the search was conducted by combining keywords using Boolean operators, such as "target costing" AND "cost reduction," "target costing" AND "operational efficiency," and "cost reduction strategy" AND "firm growth."

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The inclusion criteria in this study include articles that discuss target costing, cost reduction strategies, cost management, operational efficiency, profitability, or firm growth; articles published in national or international scientific journals; articles with a DOI or clear publication identity; articles that can be accessed in full or have adequate bibliographic information; and literature relevant to the context of manufacturing companies, FMCG companies, or strategic cost management. Meanwhile, the exclusion criteria include articles that are not relevant to the research focus; publications without clear source information; non-academic popular articles; opinions without a methodological basis; and documents that do not contain conceptual or empirical discussions on cost management. The literature selection procedure was carried out in several stages. The first stage was the identification of literature based on the predetermined keywords. The second stage was initial screening by reading the titles, abstracts, and keywords to ensure topic relevance. The third stage was eligibility assessment by reading the contents of the articles more thoroughly, particularly the research objectives, methods, results, and conclusions. The fourth stage was the selection of the most relevant articles for analysis in this study. This procedure refers to the principle of transparency in reporting literature reviews as recommended in the PRISMA 2020 guidelines (Page et al., 2021). Although this study does not conduct a statistical meta-analysis, the literature selection process is still arranged systematically so that the review process can be scientifically justified.

The data analysis technique used in this study is descriptive qualitative analysis with a thematic synthesis approach. The analysis was conducted by grouping the literature based on the main themes, namely the concept of target costing, cost reduction strategies, operational efficiency, profitability, and firm growth. Each source was analyzed to identify its main concepts, research findings, relevance to the research focus, and contribution to the development of the argument. Furthermore, findings from various sources were compared and synthesized to explain how target costing can be used as a cost reduction strategy in supporting the growth of FMCG companies. The validity of the review was maintained by using relevant academic sources with clear publication identities, particularly articles with active DOIs. In addition, this study compares findings from several sources so that the analysis does not rely solely on one main reference. Through this approach, the findings are expected to provide a more objective understanding of the relationship between target costing, cost reduction, operational efficiency, profitability, and firm growth. This approach is in line with Okoli (2015), who states that a systematic literature review should be conducted through explicit stages, including planning, literature selection, data extraction, quality assessment, and synthesis of findings.

Based on this method, this study is not intended to statistically test primary data, but rather to develop a conceptual and analytical understanding of the role of target costing in the cost reduction strategy of FMCG companies. Therefore, the findings of this study are expected to provide theoretical contributions to the field of management accounting as well as practical implications for FMCG companies in designing cost strategies that are efficient, competitive, and sustainable.

IV. Results and Discussion

4.1. Results of Literature Synthesis

Based on the literature review, cost reduction strategies through the implementation of target costing play an important role in supporting operational efficiency, profitability, and the growth of FMCG companies. The main finding of this study indicates that target costing functions not only as a cost control tool but also as a strategic approach that connects market needs, profit targets, product design, and business process efficiency. In the context of FMCG companies in Kyoto, Japan, this strategy is relevant because companies face production cost pressures, price competition, changes in consumer preferences, and the need to maintain product quality. The main article reviewed, namely the study by Kohana et al. (2023), shows that cost reduction strategies contribute to the growth of FMCG companies through increased efficiency, waste control, and stronger profitability. However, the synthesis also indicates that the article still discusses cost reduction strategies in general and does not explicitly position target costing as the main method. Therefore, this study expands the discussion by integrating the concept of target costing from more specific management accounting literature.

In general, the results of the literature synthesis can be summarized into several main findings. First, target costing plays a role in controlling costs from the product planning and design stages. Second, systematically implemented cost reduction strategies can improve operational efficiency without reducing product quality. Third, cost efficiency can strengthen company profitability. Fourth, profitability and operational efficiency are important factors in driving firm growth. Fifth, the successful implementation of target costing requires cross-functional coordination, particularly among accounting, production, marketing, purchasing, and supply chain functions. The following table presents the synthesis of literature findings used in this study.

Table 1. Literature Synthesis

Author	Research Focus	Main Findings	Relevance to the Study
Kohana et al. (2023)	Cost reduction strategies and growth of FMCG companies in Kyoto, Japan	Cost reduction strategies contribute to efficiency, profitability, and firm growth	Provides the contextual basis for the study of FMCG companies in Kyoto, Japan
Dekker and Smidt (2003)	Adoption and use of target costing	Target costing is used as a market-oriented cost control mechanism	Supports the position of target costing as a strategic tool in cost management
Ellram (2006)	Implementation of target costing	The success of target costing requires cross-functional involvement and an important role of the purchasing function	Explains the importance of organizational coordination in implementing target costing
Zengin and Ada (2010)	Cost management through product design	Target costing helps manage product costs while maintaining quality specifications according to customer needs	Supports the argument that cost reduction should not compromise quality
Gonçalves et al. (2018)	Target costing and innovation	The implementation of target costing is related to innovation configuration and organizational conditions	Explains that target costing can encourage process and product innovation
Fadjarenie et al. (2024)	Cost reduction strategies in the manufacturing industry	Raw material management and waste cost control support cost reduction strategies	Strengthens the relevance of cost reduction in the manufacturing sector
Rooly et al. (2024)	Cost management practices and profitability	Cost management practices affect the profitability of manufacturing companies	Supports the relationship between cost management and profitability
Yadav et al. (2022)	Firm growth and profitability	Firm growth is related to profitability, although it is influenced by firm size and specific factors	Supports the discussion of the relationship between efficiency, profitability, and growth

4.2. Discussion

a. Target Costing as a Market-Based Cost Control Strategy

The review results indicate that target costing is a relevant approach for application in the FMCG industry because this method is market-oriented. In the traditional approach, selling price is usually determined based on production costs plus expected profit. In contrast, in target costing, the company first identifies the selling price acceptable to the market, then determines the target profit, and subsequently

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establishes the maximum cost limit that may be incurred. Thus, target costing encourages companies to adjust their cost structure to consumer purchasing power and the level of market competition. This approach is particularly important for FMCG companies because products in this sector generally have a high level of substitutability. Consumers can easily switch to competitors' products if prices are considered too high or if quality does not meet expectations. Therefore, companies cannot rely solely on increasing selling prices to improve profits. Companies need to manage costs more systematically in order to maintain competitive prices without reducing product quality.

Zengin and Ada (2010) emphasize that target costing helps companies manage costs from the product design stage while maintaining quality specifications expected by customers. This indicates that cost reduction in target costing is not carried out arbitrarily, but through an evaluation process involving design, raw materials, production processes, and product value for consumers. Therefore, target costing can help FMCG companies achieve cost efficiency without reducing product competitiveness. In the context of the main article, Kohana et al. (2023) explain that cost reduction strategies play a role in driving the growth of FMCG companies in Kyoto, Japan. However, the discussion in the article remains general and does not explain the target costing mechanism in depth. Therefore, this study clarifies that target costing can serve as a more specific instrument in translating cost reduction strategies into a structured cost control process.

b. Target Costing and Operational Efficiency

The implementation of target costing can improve operational efficiency because this method requires companies to identify cost components from the early stages of product development. In this way, companies can determine whether raw material costs, labor costs, production costs, distribution costs, and other supporting costs remain aligned with the predetermined target costs. If any cost component exceeds the target, the company needs to conduct an evaluation and seek more efficient alternatives. Operational efficiency in the context of target costing can be achieved in several ways. First, companies can improve product design so that products are more efficient to produce. Second, companies can choose more economical alternative raw materials without reducing the main quality of the product. Third, companies can improve production processes to reduce waste in time, labor, and materials. Fourth, companies can strengthen cooperation with suppliers so that procurement costs are more controlled. Fifth, companies can improve distribution systems so that logistics costs become more efficient.

Ellram (2006) explains that the implementation of target costing in practice requires cross-functional involvement, particularly from purchasing and supply chain functions. This is relevant to the FMCG industry because product costs are not only determined by internal production processes but are also influenced by raw material costs, supplier relationships, inventory systems, and product distribution. Therefore, operational efficiency through target costing cannot be achieved if companies focus only on the production function; instead, they must involve the entire value chain. The results of this review indicate that target costing encourages companies to be more proactive in controlling costs. Cost control is no longer carried out after costs occur, but is designed from the beginning through realistic target costs. Therefore, companies can reduce the risk of waste and improve the effectiveness of resource utilization.

c. Cost Reduction, Value Engineering, and Product Innovation

Effective cost reduction strategies are not only carried out by cutting expenses but also through value creation. In the context of target costing, the approach often used is value engineering, namely the process of reassessing product functions and finding ways to produce products at lower costs without reducing the main value for consumers. This approach is important because excessive cost reduction can reduce product quality and damage customer satisfaction. The review results indicate that value engineering is an important mechanism in linking target costing with product innovation. When a company sets a specific cost target, it must seek more efficient design, material, process, or technology alternatives. The search for these alternatives can encourage innovation because the company is not only trying to reduce costs but also finding new ways to create product value.

Gonçalves et al. (2018) show that target costing is related to innovation and organizational configuration. This finding strengthens the argument that target costing is not merely administrative but also strategic. In FMCG companies, innovation driven by target costing may take the form of packaging improvements, product size adjustments, raw material efficiency, production process automation, and distribution strengthening. Thus, target costing can encourage companies to produce products that are more efficient, competitive, and aligned with market needs. However, innovation carried out within the framework of cost reduction must still consider quality. If companies overemphasize cost efficiency without considering product quality, the strategy may have negative effects on consumer satisfaction and corporate reputation. Therefore, target costing needs to be implemented based on the principle of balancing cost, quality, and customer value.

d. Cost Reduction Strategies and Corporate Profitability

The review results show that cost reduction strategies have a close relationship with corporate profitability. Profitability can increase when companies are able to reduce non-value-added costs, improve productivity, and maintain competitive selling prices. In the FMCG industry, the relationship between cost reduction and profitability becomes increasingly important because companies often face relatively thin profit margins and high price pressure. Kohana et al. (2023) show that cost reduction strategies can drive the growth of FMCG companies through increased efficiency and profitability. This finding is consistent with Rooly et al. (2024), who show that cost management practices are related to the profitability of manufacturing companies. Therefore, effective cost management can be an important instrument in improving corporate financial performance. In the context of target costing, profitability is not achieved merely through cost reduction but through the alignment of market price, target profit, and target cost. If the company is able to achieve the predetermined target cost, it can maintain profit margins even when the selling price must follow market pressure. This makes target costing a relevant approach for FMCG companies because companies can remain competitive without sacrificing profitability. In addition, increased profitability provides room for companies to make strategic investments. Companies can use the profits obtained to develop new products, expand distribution, improve production technology, and strengthen marketing. Thus, cost reduction strategies do not only affect short-term efficiency but also support long-term firm growth.

e. Target Costing and the Growth of FMCG Companies

Firm growth can be seen from increased sales, market expansion, asset growth, profit growth, and the company's ability to maintain a competitive position. In the FMCG industry, firm growth is strongly influenced by the company's ability to maintain cost efficiency and price competitiveness. FMCG products have a rapid turnover cycle, so companies must be able to produce products efficiently, maintain product availability, and respond to changes in market demand. The synthesis results show that target costing can drive firm growth through three main channels. The first channel is cost efficiency. By controlling costs from the product planning stage, companies can reduce waste and increase profit margins. The second channel is price competitiveness. Because target costs are determined based on market prices, companies can maintain competitive selling prices. The third channel is innovation. The process of achieving target costs encourages companies to improve product design, production processes, and distribution systems. Yadav et al. (2022) show that firm growth is related to profitability, although this relationship may be influenced by firm size, leverage, and other specific factors. This finding indicates that firm growth cannot be viewed solely from increased sales but must also be analyzed from the company's ability to maintain profitability. In this context, target costing acts as a mechanism to ensure that firm growth is supported by a healthy cost structure. Therefore, the implementation of target costing in FMCG companies in Kyoto, Japan, can be understood as a strategy that supports sustainable growth. Companies are not only directed to sell more products but must also ensure that every product sold provides an adequate profit contribution. This is important because growth that is not supported by cost efficiency can create the risk of declining margins and financial pressure.

f. Critical Analysis of the Main Article

The article by Kohana et al. (2023) makes an important contribution because it discusses the relationship between cost reduction strategies and the growth of FMCG companies in Kyoto, Japan. The article is relevant because it examines the FMCG sector, which is characterized by intense competition, cost pressure, and the need for operational efficiency. In addition, the article provides a conceptual basis that cost reduction can support increased profitability and firm growth. Nevertheless, this review identifies several limitations in the main article. First, the article does not explicitly discuss target costing as a cost reduction method. The discussion still focuses on cost reduction strategies in general, so it does not explain in detail the stages of target costing implementation. Second, the article does not provide examples of target costing implementation in specific FMCG companies. As a result, readers do not obtain a practical understanding of how target costs are determined, how actual costs are compared with target costs, and how companies take corrective actions when cost variances occur.

Third, the main article does not present detailed quantitative data related to changes in costs, profitability, or firm growth before and after the implementation of cost reduction strategies. In management accounting studies, quantitative data are important for measuring the effectiveness of cost strategies. Fourth, the discussion remains general, so it does not clearly distinguish between cost reduction strategies, operational efficiency, cost control, and target costing. Fifth, the article does not explain in depth the role of external factors such as market conditions, consumer behavior, inflation, and supply chain pressure. Based on these limitations, this study contributes by clarifying the position of target costing as a strategic instrument in cost reduction. This study also places target costing in a more systematic relationship with operational efficiency, profitability, and firm growth. Thus, the discussion does not stop at the idea that costs need to be reduced, but also explains how costs can be strategically controlled through a market-oriented approach.

g. Theoretical and Practical Implications

Theoretically, the results of this study strengthen the field of strategic management accounting, particularly regarding the role of target costing in supporting cost reduction strategies. The findings indicate that target costing should not only be understood as a cost calculation technique, but also as a managerial approach that integrates market price, target profit, product design, operational efficiency, and customer value. Therefore, this study expands the understanding of the relationship between cost control and firm growth. Practically, the findings provide implications for FMCG companies to implement cost reduction in a planned and market-based manner. Companies need to set target costs from the early stages of product planning, involve various organizational functions, and ensure that cost reduction does not reduce product quality. Companies also need to strengthen cost information systems so that each cost component can be monitored accurately. With good cost information, management can make more appropriate decisions in determining product design, selecting suppliers, managing raw materials, and setting pricing strategies. For FMCG companies in Kyoto, Japan, the implementation of target costing can be an important strategy in facing price competition and cost pressure. This strategy enables companies to maintain price competitiveness, preserve profitability, and create investment space for growth. However, companies need to conduct periodic evaluations so that cost reduction remains aligned with quality standards and customer satisfaction.

h. Limitations of the Review

This study has limitations because it uses a literature review approach and therefore does not present primary data from FMCG companies in Kyoto, Japan. Consequently, the findings of this study are conceptual and analytical in nature. This study has not empirically tested the effect of target costing on operational efficiency, profitability, and firm growth. In addition, this study does not present calculations of target costs, actual costs, and cost variances in a specific company. Future research is recommended to use quantitative approaches or case studies in order to test the relationships among variables more measurably. Future studies may also compare FMCG companies that implement target costing with those that do not. In this way, the impact of target costing on cost reduction, profitability, and firm growth can be analyzed more empirically and comprehensively.

V. Conclusion

Based on the literature review, it can be concluded that cost reduction strategies play an important role in improving operational efficiency and supporting the growth of FMCG companies in Kyoto, Japan. The FMCG industry is characterized by intense competition, rapid product cycles, and strong price pressure from the market. Under these conditions, companies cannot rely solely on sales growth but must also manage their cost structure more strategically. A well-planned cost reduction strategy enables companies to reduce waste, improve the effectiveness of production and distribution processes, and maintain product competitiveness in the market. The implementation of target costing is a relevant approach in cost reduction strategies because this method is oriented toward market prices and the profit targets expected by the company. Through target costing, companies can determine cost limits from the product planning and design stages, so cost control is not only carried out after the production process begins. This approach helps companies align production costs with prices that consumers are willing to accept without compromising product quality. Therefore, target costing functions not only as a cost control tool but also as a strategic instrument for maintaining a balance between efficiency, quality, and profitability.

The findings also indicate that cost efficiency achieved through target costing can contribute to increased corporate profitability. More controlled costs provide companies with opportunities to obtain more optimal profit margins, maintain competitive selling prices, and allocate resources to more productive activities. In addition, cost efficiency can create opportunities for companies to innovate products, improve technology, and expand markets. Therefore, cost reduction strategies through target costing can be understood as one of the factors that support sustainable firm growth. Nevertheless, this review also shows that discussions on cost reduction strategies and target costing still have limitations, particularly in terms of empirical evidence and practical implementation. The reviewed literature tends to discuss cost reduction conceptually and has not widely presented detailed examples of target costing implementation in specific FMCG companies. In addition, there is still limited quantitative analysis showing comparisons of costs, profits, and firm growth before and after the implementation of target costing. These limitations indicate that further research is needed so that the relationship between target costing, cost efficiency, profitability, and firm growth can be demonstrated more measurably.

Based on these conclusions, FMCG companies are advised to implement cost reduction strategies systematically and not merely focus on short-term cost cutting. Cost reduction should consider product quality, customer satisfaction, and business sustainability. Company management needs to involve various organizational functions, such as production, marketing, purchasing, finance, and distribution, so that the implementation of target costing can run effectively. Cross-functional coordination is important because product costs are not only determined by production processes but also by product design, raw material selection, supplier relationships, logistics efficiency, and marketing strategies. For business practitioners, the implementation of target costing needs to be supported by an accurate cost information system so that companies can identify cost components that do not provide added value. Cost evaluation should also be conducted periodically to ensure that the strategy remains aligned with changes in market conditions, consumer behavior, and competitive pressure. With a more structured cost management approach, companies can maintain product quality while improving price competitiveness.

For future researchers, this study can be developed using a quantitative approach or an empirical case study on specific FMCG companies. Future studies are recommended to present actual cost data, target costs, selling prices, profit margins, and firm growth indicators so that the effectiveness of target costing can be analyzed more objectively. In addition, future research may include other variables, such as product innovation, supply chain digitalization, customer satisfaction, and competitive advantage, to create a more

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comprehensive research model. Thus, studies on target costing as a cost reduction strategy can provide a stronger contribution to the development of management accounting and FMCG business practices.

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