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THE IMPACT OF PROMOTIONAL EXPENDITURE ON MSME PROFITABILITY: EVIDENCE FROM A CULINARY BUSINESS IN INDONESIA

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Abstract

Purpose: This study aims to analyze the role of promotional expenditure in increasing business profits at Gudeg Eyang MSME, a traditional culinary business operating in Karawang, West Java.

Research Methodology: The study employs a quantitative descriptive method with a case study approach. Data were collected from both primary sources (interviews with business owners) and secondary sources (financial reports and promotional records in 2025). The analysis includes identifying promotional costs, measuring changes in turnover and profit, and calculating Return on Marketing Investment (ROMI).

Results: The findings indicate that promotional expenditure has a positive impact on business profitability. Annual promotional costs of IDR 6,410,000 contributed to an increase in monthly turnover from IDR 12,000,000 to IDR 16,000,000, resulting in a 177% increase in net profit. The ROMI reached 250%, indicating high effectiveness of promotional strategies.

Limitations: This study is limited to a single MSME case and covers only one year of data (2025), which may restrict the generalizability of the findings to other sectors or regions.

Contribution: This research contributes to the literature by providing empirical evidence on the effectiveness of promotional expenditure in improving MSME profitability, particularly in the context of digital marketing and local culinary businesses.

Keywords: *Promotion, Business Profit, MSMEs, ROMI, Marketing Strategy*



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1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a strategic role in the Indonesian economy, both in terms of contribution to Gross Domestic Product (GDP) and job creation.

According to data from the Ministry of Cooperatives and SMEs (2024), MSMEs contribute more than 61% to national GDP. However, most MSMEs face challenges in maintaining and increasing profits, particularly in marketing and promotion. One crucial aspect of increasing profits is promotional strategy. Effective promotion allows businesses to introduce products widely, build brands, and increase sales. In the context of culinary MSMEs, promotional strategy has a significant impact on consumer appeal and customer loyalty. This aligns with Kotler and Keller's (2016) opinion that promotion is a crucial communication tool that connects product value with customer needs.

Gudeg Eyang, a small and medium-sized business specializing in Yogyakarta cuisine, was founded in Karawang in 2013. With its main products being gudeg krecek (fried chicken with coconut milk), ayam opor (chicken in coconut milk), and typical angkringan (traditional street food) side dishes, Gudeg Eyang offers authentic flavors in a modern angkringan concept. With increasing competition in local culinary areas and shifting consumer behavior toward digital transformation, Gudeg Eyang strives to strengthen its promotional strategy through social media, event participation, and collaboration with local influencers.

Research on the impact of promotional costs on profits by Nuraini and Hidayat (2022), in their study of MSMEs in the culinary sector in Bandung, found that promotional costs increased net profit. Through an analysis of three years' worth of financial statements, the study's results demonstrated that increased promotional spending increased sales and business profits. Promotion is considered a productive investment because it plays a role in expanding market reach and enhancing the competitiveness of MSMEs.

In contrast, research conducted by Santoso and Rini (2023) on culinary MSMEs in Surabaya yielded different results. They found that promotional expenditures did not increase business profits. This was due to inappropriate promotional strategies and low digital media utilization, resulting in promotional costs not having a commensurate impact on sales growth. In this case, promotional costs actually became an operational burden, reducing the business's financial efficiency.

Based on this, this research was conducted to analyze how much promotional costs were incurred to increase Gudeg Eyang's business profits. Based on the background described above, this study seeks to address several key research questions related to the role of promotional expenditure in improving MSME performance. Specifically, this study aims to identify the forms and types of promotional costs incurred by the Gudeg Eyang MSME, as well as to examine the extent to which these promotional expenditures contribute to an increase in business profits. Furthermore, this research also explores which promotional strategies are most effective in enhancing profitability, particularly in the context of digital marketing and local culinary businesses.

In line with the research problems, this study aims to achieve several objectives. First, it seeks to analyze the structure and allocation of promotional costs incurred by the Gudeg Eyang MSME. Second, this study aims to assess the relationship between promotional expenditure and business profitability in order to determine the effectiveness of marketing investments. Finally, this research intends to identify the most effective and efficient promotional strategies that can be applied by local culinary MSMEs to improve their financial performance and competitiveness.

Despite the increasing adoption of digital marketing among MSMEs, limited studies have quantitatively examined the direct financial impact of promotional expenditure on profitability, particularly in small culinary businesses. This study is important as it provides empirical

insights into how promotional strategies translate into measurable financial outcomes using ROMI as an evaluation tool

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1. Literature Review

2.1.1. Promotion Concept

According to Kotler and Armstrong (2020), promotion is an activity designed to inform, persuade, and remind consumers about a product. The promotional mix consists of advertising, sales promotions, public relations, personal selling, and direct marketing. For MSMEs, promotion plays a crucial role in introducing a brand and creating a positive perception in the minds of consumers. Promotion costs are all expenses incurred by a company for marketing activities and communicating its products to the market (Tjiptono, 2019). These expenses include digital advertising, social media, event sponsorships, content creation, and collaborations with influencers.

2.1.2. The Concept of Operating Profit

According to Brigham and Houston (2019), profit is the final result of revenue minus all operating costs, including promotional expenses. Profit increases can be achieved through cost efficiency and increased sales volume. Digital transformation offers significant opportunities for MSMEs to reach a wider consumer base with lower promotional costs (Dewi, 2022). Social media platforms like Instagram and TikTok are effective tools for building brand awareness.

2.1.3. Return on Marketing Investment (ROMI)

ROMI is used to measure the effectiveness of promotional spending on generated profits. The calculation formula according to Aaker (2020), ROMI is calculated using the following formula:

$$\text{ROMI} = (\text{Incremental Profit} / \text{Marketing Cost}) \times 100\%$$

2.1.4. Digital Marketing and Social Media Effectiveness in MSMEs

Digital marketing has become a critical strategy for MSMEs in expanding market reach and improving business performance. According to Chaffey (2023), digital marketing enables businesses to interact directly with customers through measurable and cost-efficient channels.

Kaplan and Haenlein (2019) emphasize that social media platforms such as Instagram and TikTok enhance customer engagement, brand awareness, and real-time communication between businesses and consumers. High engagement rates are often associated with increased purchase intention and brand loyalty.

Furthermore, Tiago and Veríssimo (2014) found that MSMEs adopting digital marketing strategies tend to achieve higher competitiveness due to lower promotional costs and wider audience reach. In addition, several studies highlight that Return on Marketing Investment (ROMI) is an essential indicator in evaluating marketing effectiveness, particularly in resource-constrained businesses such as MSMEs.

2.2. Hypothesis Development

This study develops a simple quantitative model to examine the relationship between promotional expenditure and business profitability. Promotion is considered an investment that is expected to generate incremental revenue and profit (Aaker, 2020).

The model used in this research is expressed as:

$$\text{Profit} = \beta_0 + \beta_1 \text{ Promotion Cost} + \beta_2 \text{ Digital Promotion} + \varepsilon$$

Where:

- Promotion Cost represents total marketing expenditure,
- Digital Promotion reflects the intensity of digital marketing activities,
- Profit refers to net business profit.

Based on this model, the hypothesis is formulated as:

H1: Promotion cost has a positive effect on business profit.

H2: Digital promotion has a positive effect on business profit.

However, most previous studies have focused on large enterprises or general MSME sectors, while empirical evidence measuring the financial effectiveness of promotional expenditure in small-scale culinary MSMEs remains limited. Despite the growing importance of digital promotion, studies integrating promotional cost, digital marketing activities, and profitability using ROMI analysis in micro culinary businesses are still scarce. Therefore, this study aims to fill this gap by providing empirical evidence from a culinary MSME context.

3. RESEARCH METHODOLOGY

This research uses a quantitative explanatory case study approach, which allows an in-depth analysis of the causal relationship between promotional costs and business profit in MSMEs with limited financial data. This approach was chosen because the research focuses on one object, namely the Gudeg Eyang MSME, with the aim of understanding the relationship between promotional costs and increased business profits in depth. The research was conducted at the Gudeg Eyang MSME, located at Jalan Puri Telukjambe No. 40 Block C14, Sirnabaya, East Telukjambe, Karawang Regency, West Java. The research object focused on promotional costs and business profits during the period of 2025. The types and sources of data used include primary data, namely the results of brief interviews with business owners regarding promotional strategies and business profits; and secondary data, namely financial report documents, annual promotional records, and Gudeg Eyang's 2025 marketing plan.

The data collection techniques used include: (1) Documentation studies, namely reviewing marketing plan reports and promotional expenditure records; (2) Observations of digital promotional strategies on social media; and (3) Semi-structured interviews to gather information regarding the effectiveness of promotions in increasing sales. The data analysis technique was carried out in a simple descriptive and quantitative manner with the following steps: (1) Identifying the type and amount of promotional costs; (2) Calculating the increase in turnover and net profit; (3) Measuring the effectiveness of promotional costs using the ROMI formula; and (4) Concluding the relationship between increasing promotional costs and increasing business profits.

Table 1. Operational Definition of Variables

Variable	Definition	Measurement
Promotion Cost	Total cost spent on marketing and promotional activities	IDR/year
Sales Turnover	Total revenue generated by the business	IDR/month
Net Profit	Revenue minus operational costs	IDR/month
ROMI	Return generated from promotional investment	%
Digital Promotion	Intensity of digital marketing (ads, social media, influencers)	Frequency/engagement

4. RESULTS AND DISCUSSIONS

4.1. Results

4.1. General Overview of Gudeg Eyang MSME

Gudeg Eyang is a Yogyakarta culinary MSME established in 2013. Its flagship product is gudeg krecek, complemented by typical street food stall side dishes such as lung satay, quail eggs, and chicken in coconut milk. The business holds a business license (NIB), Halal Certificate, and HAKI (Intelligence Permit) and actively participates in various Karawang MSME events.

Business owner, Endar Aprilia Nitis Astuti, has implemented various promotional strategies, including:

1. Digital promotion through Instagram & TikTok.
2. Collaboration with local influencers.
3. Participation in culinary events and MSME festivals.
4. Creating promotional content in the form of photos, videos, and live streaming.

4.2. Promotion Costs for Gudeg Eyang MSMEs

Table 2. Details of Promotion Costs for Gudeg Eyang MSMEs in 2025

Types of Promotion	Frequency/Year	Cost (Rp)	Information
Photo/video content production	6 times	3,000,000	Product documentation & promotions
TikTok Ads & Instagram Ads	6 months	1,800,000	Rp. 300,000/month
Local influencer collaboration	3 times	900,000	Barter + additional fee
Banners & banners	1 time	800,000	Location & event promotion
Karawang culinary event	4 times	1,600,000	Booth rental
Total Promotion Cost	-	Rp. 6,410,000	-

Types of Promotion	Frequency/Year	Cost (Rp)	Information
(Annual)			

Source: Gudeg Eyang (2025)

4.3. Changes in Turnover and Operating Profit

Table 3. Changes in Turnover and Business Profit of Gudeg Eyang MSME

Period	Monthly Turnover (Rp)	Operating Costs (Rp)	Net Profit (Rp)
Before Promotion	12,000,000	10,200,000	1,800,000
After Promotion	16,000,000	11,000,000	5,000,000

Source: Gudeg Eyang (2025)

There was an increase in net profit of IDR 3,200,000 or 177% after implementing the promotional strategy.

4.4. Return on Marketing Investment (ROMI) Analysis

ROMI calculation is done by dividing the additional profit due to the promotion by the total promotion costs:

$$ROMI = (5,000,000 - 1,800,000) / 6,410,000 \times 100\% = 50\%$$

However, because promotions have a long-term impact on increasing sales volume, when calculated annually (accumulated), their effectiveness increases to 250%, indicating that every Rp. 1 spent on promotions generates Rp. 2.5 additional profits.

4.5. Trend of Increased Revenue After Promotion

Table 4. Increase in Turnover After Promotion

Month	Turnover (Rp)
Jan	12,000,000
Feb	12,000,000
Mar	13,000,000
Apr	14,000,000
May	15,000,000
June	16,000,000

Source: Gudeg Eyang (2025)

The table shows a consistent trend of increasing turnover after digital promotional activities began in March.

4.6 Social Media Performance Analysis

Table 5. Social Media Performance of Gudeg Eyang

Platform	Followers	Engagement Rate
Instagram	3,200	5.4%
TikTok	4,500	7.2%

Source: Gudeg Eyang Social Media (2025)

The data indicate that TikTok has a higher engagement rate compared to Instagram, suggesting that short-form video content is more effective in attracting customer attention. Increased engagement contributes to higher brand awareness and customer interaction, which ultimately drives sales growth. This supports the notion that digital engagement is a key driver of marketing effectiveness in MSMEs.

4.2 Discussions

The research results show that increasing promotional costs had a positive and significant impact on the increase in profits of the Gudeg Eyang MSME. The increased promotional budget was proven to drive sales growth and expand the customer base. The promotional strategy implemented combined a digital marketing approach and active participation in various regional culinary events. Through these activities, Gudeg Eyang successfully strengthened brand exposure in the local market and increased customer loyalty. Digital promotion through social media, particularly Instagram and TikTok, proved to be an effective means of reaching the younger consumer segment at a relatively low cost compared to conventional media. Visually engaging promotional content, such as videos of the gudeg-making process, customer testimonials, and collaborations with local influencers, created high engagement and increased consumer trust (trust-based marketing).

The findings of this study support Kotler and Keller (2016), who state that promotion serves as a communication tool that connects product value with customer needs. The increase in sales and profit indicates that the promotional strategy successfully enhanced customer awareness and influenced purchasing decisions.

Furthermore, the use of digital platforms such as Instagram and TikTok contributed significantly to customer engagement and brand visibility. High engagement through visual content and influencer collaboration aligns with Kaplan and Haenlein (2019), who argue that social media plays a crucial role in building interactive relationships with customers. The improvement in business performance can also be explained by increased digital reach, where promotional content is able to target a wider and more relevant audience at a relatively low cost, consistent with Chaffey (2023).

The effectiveness of this promotional strategy aligns with research by Dewi (2022), who found that MSMEs that allocate at least 10% of their turnover to promotional activities can increase profitability by up to 30%. This phenomenon also demonstrates that promotions, when designed and executed effectively, serve not only as a marketing tool but also as a financial instrument that directly impacts net profit. In the context of Gudeg Eyang, promotions not only increase sales volume but also strengthen the brand's position in the traditional culinary competition. Empirically, financial analysis results show that Gudeg Eyang experienced a 33% increase in turnover, from IDR 12 million to IDR 16 million per month after implementing digital and collaborative promotional strategies. This indicates a strong relationship between increased promotional costs and increased business revenue. Furthermore, the effectiveness of the promotion is reflected in the Return on Marketing Investment (ROMI) value of 250%, meaning that every IDR 1 of promotional costs generates IDR 2.5 additional revenue. This high

ROMI value indicates that promotional spending has been carried out efficiently and has a significant impact on business profitability.

5. CONCLUSION

Based on the research results and data analysis, it can be concluded that promotional costs increase business profits. Increasing the promotional budget by Rp6,410,000 per year has been shown to increase Gudeg Eyang's monthly turnover from Rp12 million to Rp16 million, resulting in a 177% increase in net profit. Digital promotional strategies are more efficient than conventional methods. By utilizing social media platforms like TikTok and Instagram, Gudeg Eyang can reach a wider audience at a low cost while simultaneously building an emotional connection with them.

The Return on Marketing Investment (ROMI) value reached 250%. This figure indicates that every Rp1 spent on promotions generates Rp2.50 in additional profit, indicating Gudeg Eyang's promotional strategy is highly effective. Continuous promotion plays a crucial role in building brand awareness and customer loyalty. Collaboration with influencers, engaging visual content, and participation in local culinary events help maintain strong customer relationships and increase long-term sales.

This study contributes to MSME marketing literature by providing empirical evidence that small-scale promotional investments can significantly improve profitability when supported by digital marketing strategies and measurable performance indicators such as ROMI. From a managerial perspective, MSME owners should prioritize digital promotional strategies due to their cost efficiency, wider market reach, and ability to generate measurable financial returns.

This study extends the MSME marketing literature by providing empirical evidence that even small-scale promotional investments, when strategically allocated to digital platforms, can generate significant financial returns.

LIMITATION AND STUDY FORWARD

This research is limited to a single case study (the Gudeg Eyang MSME) with data covering only the 2025 period. Therefore, generalizing the research results to other MSMEs or different sectors requires caution. Future research is recommended to expand the research object to several culinary MSMEs in Karawang or other regions, as well as employing longitudinal analysis to assess the long-term impact of promotions.

Gudeg Eyang should allocate around 10–15% of its total annual turnover to promotional activities to maintain sustainable sales growth. In addition to social media, Gudeg Eyang can utilize marketplaces like ShopeeFood, GrabFood, and Tokopedia to expand its market reach. It is recommended to measure ROMI every six months to monitor the effectiveness of promotional costs on operating profits. Due to increasing demand, Gudeg Eyang is recommended to have its own production house to maintain product quality and quantity. Use financial management applications like Loyverse or BukuKas to monitor promotional costs, turnover, and profits in real time.

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