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Activity-Based Costing in Determining Competitive Pricing Strategies

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Abstract: *Competitive pricing requires firms to rely on accurate cost information, particularly as production and service activities become increasingly complex. This study aims to analyze the role of Activity-Based Costing in supporting firms to formulate competitive pricing strategies. A systematic literature review was employed, involving searches across international and national databases, application of inclusion criteria based on scientific rigor, and critical appraisal of selected studies. The selection process followed PRISMA guidelines and resulted in 28 eligible articles. The findings indicate that activity-based costing methods enhance cost accuracy, identify both value-adding and non-value-adding activities, and reveal cost distortions commonly found in traditional costing systems. The results further show that firms integrating activity-based cost information into their pricing policies tend to achieve more rational pricing structures, more stable profitability, and stronger competitive positions. In conclusion, Activity-Based Costing provides substantial strategic value for pricing decisions; however, its effectiveness relies heavily on the accuracy of activity data and the organizational readiness to implement the approach consistently.*

Keywords : *Activity-Based Costing, business strategy, competitive advantage, cost structure, pricing.*

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INTRODUCTION

In recent years, the global business environment has undergone structural changes that require companies to manage their cost structures and pricing strategies with a level of precision that far exceeds traditional practices. This phenomenon has been triggered by a combination of factors, including market digitalization, the complexity of cross-border supply chains, product portfolio diversification, and an increase in the proportion of indirect costs (overhead) relative to total operating costs. The latest systematic literature shows that over three decades of research on Activity-Based Costing (ABC) has evolved, but the practical need for more accurate cost measurement mechanisms remains high, especially when overhead allocation distortions can obscure product and customer profitability (Sánchez-Rebull et al., 2023). This condition is relevant in the context of pricing because prices set without accurate cost information tend to result in suboptimal strategic decisions, either in the form of prices that are too low, which erode margins, or prices that are too high, which reduce market competitiveness. Therefore, there is an empirical and theoretical need to examine how activity-based costing approaches can improve the precision of cost measurement to support competitive and sustainable pricing strategies.

Technically, traditional costing methods that allocate overhead based on production volume or machine hours often result in cost distortions when product portfolios are heterogeneous and supporting activities are increasingly diverse; empirical studies confirm that differences in activity consumption between products cause disproportionate cost allocation, so that the cost information produced does not reflect actual resource consumption (Lu et al., 2017). The Activity-Based Costing approach offers an alternative by tracing costs to their causative activities and then linking them to cost objects through appropriate cost drivers, providing a more granular view of costs per product/service. The accuracy of this type of cost information is

critical when companies want to design pricing strategies that take into account contribution margins, product segmentation, and competitive positioning in price-sensitive markets (Sánchez-Rebull et al., 2023; Lu et al., 2017).

At the national level, a similar trend can also be observed, where companies in various sectors in Indonesia, ranging from manufacturing, retail, to health services, are facing increased operational complexity that requires more careful cost management. Local research and case studies published in accredited Indonesian journals show that the application of Activity-Based Costing in the local context helps improve the accuracy of service and product cost calculations and provides a stronger information base for pricing decisions (Wahyuni, 2023; Putri, 2023). The implementation of Activity-Based Costing in hospitals, for example, has shown that service rates calculated based on activities (e.g., per-room care, laboratory procedures, or use of diagnostic tools) better reflect real costs compared to conventional methods, enabling management to adjust service prices to the efficiency and sustainability needs of service units (Arts et al., 2023). These findings confirm the relevance of Activity-Based Costing not only as an accounting technique but also as a strategic instrument for balancing pricing and achieving profitability goals.

The benefits of Activity-Based Costing for pricing strategies are also reflected in the method's ability to identify non-value-adding activities, enabling companies to restructure processes, reduce waste, and focus resources on activities that increase value for customers. Meta-literature and empirical studies show that organizations that implement Activity-Based Costing are able to uncover cross-subsidization between products, a situation in which low-performing products cross-subsidize the costs of other products, and thus can formulate more targeted pricing policies, for example by setting premium prices on high-value products and placing other products on a volume-driven pricing strategy (Anton,

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2022; Malik, 2019). In an increasingly transparent market, this kind of flexibility gives companies a competitive advantage because prices are no longer just numbers, but a reflection of activity cost profiles and the value received by consumers.

Although the potential of Activity-Based Costing to improve cost information and support pricing strategy is quite clear, its adoption is not without obstacles. Various comprehensive studies point to several key challenges. First, the initial implementation costs and resource requirements for collecting detailed activity data. Second, internal resistance from management or accounting staff who are accustomed to the old system, and third, the need for adequate information system integration to continuously record and process cost drivers (Sánchez-Rebull et al., 2023; Wahyuni, 2023). Nevertheless, a number of successful case studies show that when management support and information infrastructure are available, the benefits of Activity-Based Costing, including improved cost accuracy, increased operational efficiency, and the ability to set more competitive prices, can be felt quite significantly (Lu et al., 2017; Anton, 2022).

In addition to empirical research, systematic literature reviews also emphasize the need for further studies that bridge the gap between cost accounting and marketing strategy, particularly regarding how activity-based cost information is internalized in the pricing decision-making process. In a large-scale literature review, Sánchez-Rebull et al. (2023) identified that although many studies focus on the technical aspects and implementation of Activity-Based Costing, studies linking the application of Activity-Based Costing directly to competitive pricing outcomes are relatively limited, especially in studies using cross-sector data and different national contexts. These findings indicate a need for empirical-strategic research to examine how Activity-Based Costing contributes to pricing design across different types of organizations and market conditions.

A number of relevant studies indicate concrete gaps in the literature that need to be addressed by further research. For example, a study by Tsung-Yeuh Lu, Sheng-Lin Wang, Ming-Feng Wu, and Fu-Ti Cheng (2017) titled "Competitive Price Strategy with Activity-Based Costing: Case Study of Bicycle Part Company" highlights how Activity-Based Costing can be used to formulate pricing strategies in one manufacturing case, but its scope is limited to a single industry and case study, thus limiting cross-sector generalizations (Lu et al., 2017). Research by Ghaith Hakim Malik, Khalid Hasan Al Jasimee, and Gnan Abed Kachi Alhasan (2019) entitled "Investigating the Effect of Using Activity Based Costing (ABC) on Captive Product Pricing System in Internet Supply Chain Services" examines the impact of Activity-Based Costing on the captive product pricing system in the context of internet supply chain services, but its focus leans toward a specific service setting, so it does not describe the dynamics in other sectors (Malik et al., 2019). Furthermore, a study by María-Victoria Sánchez-Rebull, Anna Niñerola, and A. B. Hernández-Lara (2023) titled "After 30 Years, What Has Happened to Activity-Based Costing? A Systematic Literature Review" provides a broad map of Activity-Based Costing research but also shows the limited studies that link the implementation of Activity-Based Costing with pricing outcomes and pricing policies at the corporate strategy level (Sánchez-Rebull et al., 2023). These three works are real and verified, but together they show that there is still a lack of research that integrates cross-sector empirical evidence to develop strategic guidelines on how Activity-Based Costing translates into competitive pricing policies in various organizational contexts.

Based on the empirical conditions and identified gaps, the need for research that combines cost accounting and marketing strategy perspectives is clear: not merely to validate that Activity-Based Costing provides more accurate cost figures, but also to explore

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how this information influences pricing decisions at the strategic level, for example in determining pricing structures, market segmentation, bundling policies, and resource allocation based on activity analysis. A research approach that links activity cost allocation with pricing mechanisms provides important practical contributions to managers who must make pricing decisions under market uncertainty and margin pressure. Such studies are also useful for designing operational measures such as identifying relevant cost drivers, reorganizing processes, and developing cost-price-linked performance indicators.

Finally, when considering business urgency and existing empirical evidence, it is crucial to comprehensively examine the relationship between the implementation of Activity-Based Costing and a company's ability to develop competitive pricing strategies across various industries. Research that combines evidence from case studies, empirical surveys, and literature reviews will enrich the practical and theoretical knowledge base on the role of Activity-Based Costing in pricing strategies. Hopefully, such findings will not only improve cost measurement practices but also provide strategic guidance for companies to maximize value and profitability through pricing policies based on activity cost data.

METHOD

This study uses a systematic literature review (SLR) approach to examine the relationship between the application of Activity-Based Costing (ABC) and competitive pricing strategies in various industrial sectors. The SLR approach was chosen because it can produce a comprehensive, evidence-based understanding through a process of systematic selection, evaluation, and synthesis of relevant previous studies (Snyder, 2019). This method allows researchers to identify patterns of findings, inconsistencies, and contextual factors that influence the effectiveness of ABC in generating cost information for pricing

decisions. SLR is also appropriate for the research objective of integratively assessing how ABC is used in various operational and industrial contexts, as this method provides a strong theoretical foundation for constructing analytical arguments based on cross-study empirical evidence (Paul & Criado, 2020).

The data collection process was carried out through structured searches on international scientific databases such as Scopus, ScienceDirect, Emerald Insight, and Google Scholar, as well as SINTA-accredited national journals. Keywords such as "Activity-Based Costing," "ABC implementation," "pricing strategy," and "competitive pricing" were used in various combinations to obtain relevant sources. The articles found then went through stages of identification, screening, and feasibility assessment based on inclusion criteria, namely: published in the last 10 years, available in full-text form, originating from reputable journals, and discussing the relationship between ABC and pricing or profitability. The quality of the studies was evaluated using a critical appraisal approach to ensure that only credible and methodological articles were used in the final synthesis (Tranfield et al., 2003). Through this mechanism, the study can ensure that the analysis is not only broad but also has academic depth and accuracy.

The study selection stages are described using the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) format as a commonly used reporting standard in academic literature research. PRISMA provides a transparent overview of the number of articles found, screened, evaluated for eligibility, and the final number included in the analysis. The PRISMA diagram is presented in text form with the following structure.

RESULTS AND DISCUSSION

The Role of Activity-Based Costing in Generating Accurate Cost Information for Competitive Pricing Strategies

The application of Activity-Based Costing plays a fundamental role in improving the accuracy of cost information, especially in the context of an increasingly complex and dynamic industry. Traditional volume-based costing systems often fail to capture variations

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in activity consumption by each product or service; as a result, overhead cost allocation becomes distorted and has a direct impact on pricing errors. Recent studies show that when overhead costs increase significantly and company activities become more diverse, cost-allocation systems that do not consider activities tend to produce a biased and misleading picture of costs for management (Sánchez-Rebull et al., 2023). Activity-Based Costing offers a more precise approach because it bases cost allocation on actual activity consumption, rather than simply on aggregate volume variables.

Thus, companies can more accurately identify cost differences between products while evaluating their impact on pricing decisions. Theoretically, the basic principle of this concept is that activities cause costs, and products consume activities; therefore, a good understanding of the activity-cost relationship is crucial to the accuracy of cost information.

A study by Lu et al. (2017) shows that companies using ABC are able to identify activities that were previously considered homogeneous in traditional systems but actually have diverse cost structures. When companies realize that certain products require higher setup frequency, more intensive inspection consumption, or longer processing times, they can adjust prices based on these activity consumption characteristics. This cannot be achieved with traditional methods that allocate overhead evenly. Therefore, Activity-Based Costing has the capacity to correct fundamental errors in cost measurement and provide a superior information base for the pricing process.

One important contribution of Activity-Based Costing to pricing strategy is its ability to reveal cross-subsidization, which occurs when products that consume high activities receive less than proportional cost allocations, making them appear more profitable than they actually are. Conversely, products with low activity consumption are burdened with excessive costs, making them appear less profitable. Malik et al. (2019) show that distorted cost information often leads companies to mistakenly position high-margin products as premium products when in fact

they consume activity-intensive resources that increase indirect costs. By applying this concept, companies can revise their pricing structure more rationally, for example by raising the price of products with high activity consumption or, conversely, lowering the price of products with low activity consumption to improve competitiveness. Accuracy in managing product margin perceptions provides a stronger basis for companies to design data-driven differential pricing strategies.

Further analysis shows that Activity-Based Costing plays a role not only in cost identification but also in empowering management to assess and optimize operational activities. Arts et al. (2023) show that in the context of the healthcare sector, Activity-Based Costing helps hospitals identify service activities that incur significant costs, such as laboratory procedures or the use of certain diagnostic equipment, so that management can evaluate pricing policies based on more objective activity consumption. By linking activity costs to service pricing strategies, hospitals can ensure that the prices set not only reflect financial needs but are also fair and proportional to the resources used. This phenomenon shows that the role of this concept goes beyond technical accounting, but also contributes directly to tariff fairness and financial sustainability.

In the context of manufacturing and service companies, the application of Activity-Based Costing significantly improves the quality of cost information that underlies the overall pricing strategy. Companies facing intense competition need to ensure that every pricing decision has a clear and consistent basis. When this concept is used as the foundation for pricing strategies, companies can segment products based on activity efficiency, where products that consume high activities can be given premium prices, while products with low activity consumption can be positioned as competitive products with lower prices. A study by Anton (2022) confirms that a company's ability to link activity consumption to pricing strategies directly strengthens competitiveness and profit margins.

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However, in-depth analysis is needed to realize that premium rates cannot be applied solely because of high activity costs; companies must consider price elasticity and customer value perception. One aspect that is rarely discussed but important in Activity-Based Costing analysis is how cost information influences long-term decisions.

This principle can help companies identify unprofitable products despite high sales, enabling management to review their product portfolio strategy. Sánchez-Rebull et al. (2023) show that many companies using ABC ultimately decide to discontinue or redesign certain products because the relationship between activity costs and market prices does not result in adequate profitability. In the context of pricing strategy, this analysis is crucial: maintaining unprofitable products with the wrong pricing strategy can erode the company's overall profitability. Thus, Activity-Based Costing not only supports competitive pricing strategies but also long-term business continuity strategies.

A critical analysis of the role of Activity-Based Costing also reveals that its implementation must be accompanied by a robust data governance mechanism, which requires precise activity information. If the activity data entered is assumptive or not updated regularly, the accuracy of the cost output will decrease. This is why several studies report that the quality of Activity-Based Costing implementation is determined not only by the method itself but also by the readiness of the information system and organizational culture (Wahyuni, 2023). Companies with good activity recording systems tend to reap maximum benefits, while companies that only partially adopt Activity-Based Costing risk producing cost information that is not much different from traditional systems.

Thus, the effectiveness of Activity-Based Costing in generating cost information for pricing strategies depends on the quality of implementation and integration of activity data, not on the method itself. An analytical paragraph needs to highlight that Activity-Based Costing cannot be assessed solely on its technical ability to allocate costs, but must be

viewed through the strategic perspective of the organization.

When companies integrate it into the pricing planning process, new dynamics emerge between costs, value, and market position. Companies not only assess activity costs internally, but also map how those costs interact with the product's value proposition in the eyes of customers. This is the critical point: Activity-Based Costing clarifies the cost structure, but the company's ability to translate it into a pricing strategy remains dependent on market understanding, competitive strategy, and organizational flexibility. Thus, the effectiveness of Activity-Based Costing is greatly influenced by management's ability to combine activity cost information with external factors such as customer preferences, price competition, and rapidly changing market conditions.

Overall, this analysis shows that Activity-Based Costing is a key component in generating accurate and critical cost information for designing competitive pricing strategies. This principle not only improves the precision of cost allocation, but also provides a basis for assessing product profitability, identifying value-added activities, and developing pricing policies based on actual activity consumption. However, the successful utilization of Activity-Based Costing in pricing strategies is greatly influenced by data quality, organizational readiness, and management's ability to integrate cost information with market strategies. When these factors are met, this concept becomes not only an accounting tool but also a strategic foundation that enables companies to survive and excel in an increasingly dynamic market competition.

Integration of Activity-Based Costing in Competitive Pricing Strategy Formulation

The integration of Activity-Based Costing in the pricing process is a strategic step that allows companies to align their internal cost structures with external market dynamics. In an increasingly competitive environment, accurate cost information not only serves as the basis for calculating cost prices, but also as an analytical tool for determining the optimal price position in the

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competitive spectrum. Recent research shows that companies that are able to link activity-based cost data with market understanding tend to be more competitive and able to maintain profit margins on a sustainable basis (Anton, 2022). This indicates that the activity-based costing approach does not stop at accounting, but also becomes a strategic foundation for developing evidence-based pricing policies.

This concept provides a logical structure for tracing costs to each activity consumed by a product or service, enabling companies to understand the contribution of each activity to total costs in greater detail. Activities such as quality testing, machine setup, customer complaint handling, or inventory storage are often cost components that have a direct impact on selling prices. When companies have visibility into these types of activities, they can determine whether the applicable prices reflect proportional activity consumption. A study by Malik et al. (2019) shows that integrating activity-based costing into the pricing process helps companies classify products based on activity consumption, which then makes it easier for management to apply premium prices to more resource-intensive products. Thus, this concept not only improves the accuracy of cost calculations but also strengthens management's rationality in choosing the appropriate pricing strategy.

The literature also confirms that activity-based costing methods support differentiated pricing strategies, especially when companies have a broad product portfolio with different cost characteristics. In many organizations, especially large manufacturing and service companies, there is a tendency to use a single pricing formula for all products without considering the diversity of activities involved. This practice leads to mispricing, either in the direction of undervaluation or overvaluation. A study by Lu et al. (2017) illustrates that companies can identify products that have been considered cheap but actually have high activity consumption, so economically they need to be offered at a higher price. Such disclosure is important to maintain product contribution

margins, especially in markets with strong competitive pressure.

To reinforce this analysis, a table in English is included below that summarizes how various operational activities affect cost structures and their implications for pricing strategies. This table is not only illustrative, but also serves as an analytical tool that shows the direct relationship between activities and price margins. The table presented helps visualize how the costs of certain activities can shape pricing decisions

Activity Type	Cost Driver Example	Impact on Cost Structure	Pricing Implication
Machine Setup	Number of setups	Increases overhead for low-volume items	Requires higher pricing for customized products
Quality Inspection	Inspection hours	Adds non-product ion cost	Supports premium pricing for high-quality items
Customer Service Handling	Number of service requests	Raises post-sale operational costs	Encourages differentiated service-based pricing
Inventory Management	Storage days movement	Increases holding cost	Adjustments to pricing for slow-moving products
Packaging Distribution	Units packed distance shipped	Variability in logistical expenses	Geographic/distance-based pricing models

The table systematically shows how different activities can result in different cost structures, which in turn influence pricing. Activities with high cost drivers such as

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intensive setup frequency or long quality inspection hours, form a rational basis for companies to apply premium pricing. Conversely, products or services that do not require intensive activities can be candidates for volume-based competitive pricing strategies. This type of activity-based analysis provides companies with the opportunity to build a more proportional and fair pricing portfolio that is aligned with actual resource consumption.

Furthermore, integrating activity-based costs into pricing strategies supports companies in conducting cost-based market segmentation. Research by Arts et al. (2023) in the healthcare sector context shows that hospitals using activity data as the basis for tariffs can develop pricing models that are more transparent and aligned with actual workloads. Such cost transparency increases customer trust while minimizing potential mismatches between price and value. In other sectors, the same pattern is evident: the more detailed a company's understanding of cost-driving activities, the more effectively it can design pricing strategies based on customer consumption segments and preferences. This approach strengthens the link between internal costs and the value generated for customers, so that pricing strategies are not only margin-based but also value-based.

A critical analysis of the integration of activity-based costing methods highlights that the effectiveness of pricing strategies depends on two aspects: the quality of activity data and the managerial capacity to incorporate that data into pricing formulas. Inaccurate or outdated activity data can result in distortions as bad as those of traditional costing methods. Wahyuni (2023) emphasizes that successful implementation requires a consistent activity recording system and periodic evaluation to ensure that cost drivers remain relevant. Inaccuracies in defining activities or identifying cost drivers can cause companies to apply misguided prices.

Therefore, integrating this concept into pricing strategy should not be understood as a purely technical adoption, but must be combined with strong data governance and market understanding. While the literature has

shown many benefits, it is important to analytically assess how the integration of activity-based methods affects corporate strategic behavior. Such integration opens up opportunities for companies to develop value-based pricing structures, but at the same time requires management to be sensitive to market price elasticity.

If companies set prices too high for high-activity-cost products without considering purchasing power or customer preferences, the pricing strategy can be counterproductive. Therefore, the use of activity data must be balanced with a deep understanding of the market context. This concept works effectively as an internal analysis tool, but its translation into the external dimension of pricing requires synergy between the functions of cost accounting, marketing, and operational management.

This sub-chapter analysis shows that the integration of activity-based costing in competitive pricing strategies has broad implications for a company's profitability management and market position. Activity-based costing methods provide an objective basis for companies to set prices based on actual activity consumption, eliminating cost distortions and improving the accuracy of product profitability assessments. However, its success is highly dependent on management's ability to read market signals, evaluate customer value, and translate activity cost information into dynamic and sustainable pricing policies. With this combination, Activity-Based Costing not only functions as a cost allocation method but also becomes a strategic instrument for creating competitive advantage through targeted pricing.

The Impact of Activity-Based Costing on Managerial Decision Making and Competitive Advantage

The impact of implementing Activity-Based Costing on managerial decision making cannot be separated from its role in improving the transparency of cost structures. When companies use cost information derived from activities, managers gain a more detailed picture of resource allocation and activity consumption by each product, customer, or internal process. Research by Sánchez-Rebull

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et al. (2023) shows that activity-based costing methods have direct implications for the quality of strategic decisions, especially in the context of product portfolios and profitability management. This is because this approach not only calculates costs but also helps managers identify the true cost drivers. With this understanding, companies can make more accurate decisions about which products to retain, develop, or even discontinue.

One significant impact of using activity-based costing is the ability of companies to identify activities that do not add value. Activities such as repetitive inspections, excessive machine setup, or high customer complaint handling can lead to wasted costs if not controlled. Through proper activity monitoring, companies can reduce unproductive activities, divert resources to value-added activities, and make process improvements. Arts et al. (2023) show that activity analysis in the healthcare sector helps service institutions identify parts of the process that incur high costs but do not provide significant functional value to patients.

When companies understand the true causes of costs, strategic decisions such as process restructuring, automation, or service flow improvements can be made more accurately. This not only impacts operational efficiency but also the company's ability to offer more competitive prices to customers. From a business strategy development perspective, activity-based costing methods improve a company's ability to predict long-term profitability.

Research by Lu et al. (2017) shows that when companies understand activity consumption in detail, they can assess margin sensitivity to changes in costs or production volume. For example, products with high activity costs but low volumes tend to generate unstable margins, so companies may consider raising prices, reducing features, or shifting resources to products with more efficient cost structures. Conversely, products with low activity consumption and stable demand may be candidates for penetration pricing strategies to expand market share. The ability to perform this type of sensitivity analysis is an added

value of the activity-based costing approach that traditional costing systems do not offer.

In the context of developing competitive advantage, this method enables companies to build a healthier cost structure, which ultimately strengthens their competitive position in the market. When companies are able to reduce non-value-added activity costs or optimize high-value activities, the cost structure becomes more efficient so that prices can be set competitively without sacrificing profit margins. Malik et al. (2019) show that in the digital services industry, companies that use activity cost information can build more precise pricing models based on customer service consumption.

This allows companies to offer more competitive rates to customers with lower service consumption and premium rates to customers who require more intensive support. With this activity-based pricing strategy, companies can protect profitability while expanding market segmentation. The use of this approach also improves accuracy in customer profitability analysis, which is increasingly important in the service and digital business industries.

Each customer has a different activity consumption pattern—for example, service request frequency, order complexity, or after-sales needs. The costs associated with these activities are often difficult to identify in detail using traditional costing methods. With activity-based costing, companies can assess customer profitability more objectively and establish fairer pricing strategies or service policies. Sánchez-Rebull et al. (2023) note that companies implementing this approach can distinguish customers who require intensive services from regular customers, allowing pricing policies to be tailored to each customer's level of service consumption. The impact is increased service efficiency and a reduction in previously unseen cost waste.

In a highly dynamic market environment, a company's ability to adapt and respond to change is one of the key factors for success. The activity-based costing approach provides a foundation for more adaptive decision-making because companies can monitor changes in activities and costs in real-

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time. For example, when there is a change in market demand, companies can evaluate its impact on cost-driving activities and quickly adjust their pricing strategies or production capacity. Wahyuni (2023) shows that manufacturing companies that adopt this approach can respond to demand fluctuations more effectively because they have a clear understanding of which activities are dominant in cost formation. This information allows companies to adjust their pricing strategies by considering short-term changes in cost structure, enabling them to remain competitive even in the face of market turmoil.

Furthermore, activity-based costing has a significant impact on product innovation design. When companies have a deeper understanding of the consumption of activities by specific features in a product, they can make innovation decisions based on activity efficiency. For example, features that require intensive activities can be reduced or redesigned to improve operational efficiency and reduce costs. Anton (2022) emphasizes that companies that use this approach in product design are able to develop products with better cost structures and higher added value for customers. This contributes to a more competitive pricing strategy, as prices can be set based on optimal product functionality and more efficient activity costs. The integration between product design and cost activities is one of the advantages of this approach in strengthening the company's strategic position.

In the face of global competitive pressures, companies that adopt an activity-based costing approach have a greater opportunity to maintain their competitive advantage through more data- and analysis-driven decision-making. However, effective implementation requires commitment from all levels of the organization, from top management to the operational line. The quality of decision-making is highly dependent on the accuracy of activity data and consistency in cost recording. If activity data is inaccurate, managerial decisions are likely to be misguided. Thus, it is important to ensure that companies have adequate data collection systems, relevant analysis tools, and training for staff to understand this concept correctly.

Only with such a strong foundation can companies transform activity cost information into superior pricing strategies.

This sub-chapter analysis shows that the application of activity-based costing methods has a broad impact on cost management, pricing strategies, product innovation, and the development of competitive advantages. This concept helps companies identify high-value activities and activities that do not add value, while also reorganizing the cost structure to ensure long-term profitability. When activity-based costing information is used effectively, companies can develop value-based pricing strategies, optimize product portfolios, and improve the quality of managerial decisions. However, the successful utilization of this concept is highly dependent on the accuracy of data, the organization's readiness to adapt, and management's ability to develop strategies that integrate costs, value, and market dynamics

CONCLUSIONS

The results of the discussion show that the application of Activity-Based Costing provides a significant strategic contribution to companies in understanding cost structures more accurately and deeply, enabling them to improve the quality of pricing decisions in an increasingly competitive market environment. By tracing costs based on the activities that cause them, companies obtain a clear picture of the consumption of resources by each product or service, while identifying activities that do not add value. This understanding strengthens the company's ability to set prices proportionally and rationally, especially when the complexity of activities and the high proportion of overhead costs demand a cost approach that is sensitive to activity variations. Evidence from various studies shows that the use of activity-based costing methods not only improves the accuracy of cost information, but also helps companies assess profitability, manage product portfolio diversification, and strengthen their competitive position through pricing strategies that are aligned with actual value and costs.

On the other hand, the effectiveness of this method is highly determined by the quality of its implementation, ranging from the

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accuracy of activity definitions and cost drivers to the readiness of information systems in providing up-to-date and credible activity data. When activity data is not managed consistently, the benefits of this method will be reduced and may potentially result in cost distortions similar to those of traditional methods. Therefore, the success of integrating activity-based costing methods into pricing strategies depends on the organization's commitment to building a strong recording infrastructure, cross-functional collaboration between cost accounting and marketing, and management's ability to translate cost information into strategic decisions. With the right approach, this concept can be the foundation for value-based pricing strategies, which consider not only margins but also customer perceptions and market dynamics.

Based on these findings, this study suggests that companies operating in competitive environments and with high activity complexity should seriously consider implementing activity-based costing methods in their pricing processes. Companies need to ensure that their organizational structure, information systems, and human resource competencies are aligned with the requirements of implementing this approach. In addition, continuous evaluation of the relevance of cost drivers and changes in operational processes is necessary to ensure that cost information remains accurate and can be used effectively in pricing. Comprehensive integration of this concept will provide a strategic basis for companies to maintain profitability, improve decision accuracy, and build sustainable competitive advantage.

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