

Contribution Margin Discipline in Digital Promotions for MSMEs

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Abstract

Digital promotions can increase recorded sales while reducing the cash available to finance operations. This conceptual article develops an evaluation framework that separates order contribution, campaign expenditure, incremental demand, and settlement timing. The proposed unit of analysis is a campaign cohort with traceable orders, returns, variable costs, and customer follow-up. Selected institutional sources provide contextual foundations; the framework itself is developed through analytical reasoning and hypothetical illustrations. It is neither a systematic review nor an empirical investigation. The analysis shows why positive order margins may coexist with a campaign deficit, why contribution differs from cash availability, and why repeat-purchase assumptions require comparable observation windows. Three propositions connect contribution information to campaign selection, cash-based spending limits to liquidity exposure, and customer-cohort evidence to acquisition-cost evaluation. Operational definitions, a reconciliation worksheet, sensitivity checks, and a prospective research design are proposed. The contribution is a testable decision architecture, rather than an estimate of profitability improvement. Application in West Java requires transaction-level validation and explicit treatment of attribution, incomplete returns, shared costs, and the opportunity cost of restricted marketing experimentation.

Keywords: MSMEs; digital promotion; contribution margin; customer acquisition; liquidity; campaign evaluation.

1. Introduction

A business owner may observe rising orders while finding it harder to pay for the next production batch. Discounted prices, channel charges, packaging, refunds, and delayed settlements can explain this apparent contradiction. The relevant question is how promotional activity connects demand with usable financial resources. This article develops an analytical answer at the campaign level. All numerical examples are hypothetical, and no claim is made about the prevalence of these conditions among Indonesian enterprises.

2. Conceptual approach and analytical boundaries

The analysis begins with four distinct objects: the order, the campaign, the customer cohort, and the cash calendar. These objects overlap but should not be collapsed into a single performance ratio. Orders explain transaction economics; campaigns explain the spending decision; cohorts support customer follow-up; and calendars identify whether payments can be met when due.

Source selection is purposive. OECD (2021) supplies a broad account of SME digitalisation, while OECD (2024) supplies financing context. IFRS Foundation (2019) provides an educational basis for distinguishing cash flows from accrual information. None of these sources is presented as evidence that the proposed campaign worksheet improves performance. The operational rules and propositions below are conceptual extensions that require testing.

The reasoning proceeds by defining variables, identifying possible double counting, constructing contrasting scenarios, and deriving observable propositions. This is an analytical framework development exercise, without a systematic search protocol, field sample, interviews, or statistical estimation. Hypothetical calculations establish internal arithmetic consistency; they do not establish external validity.

The framework concerns short-term promotional decisions for transactions whose revenues and variable costs can be traced. It does not fully value brand recognition, referrals, product learning, or long-term market entry. Those objectives may justify spending, but must be stated explicitly rather than concealed inside an optimistic profitability calculation. Evaluation should accommodate a separately authorised learning budget.

Analytical object	Main question	Minimum evidence
Order	Does the transaction contribute after variable costs?	Net revenue and traceable costs
Campaign	Does the activity cover its own expenditure?	Cohort contribution and campaign spending
Customer cohort	Is subsequent purchasing observed comparably?	Acquisition date and follow-up window
Cash calendar	Can obligations be paid when due?	Payment and settlement dates

The separation is useful only if identifiers connect the objects. A campaign code without order reconciliation creates an appearance of precision while leaving the underlying attribution uncertain.

3. Operational definition of order contribution

Order contribution is defined as net order revenue less variable costs attributable to that order. Net revenue is measured after seller-funded discounts and refunds. Variable costs include goods or materials, transaction commissions, seller-funded delivery, and incremental packaging. A business must specify how it treats taxes, rebates, and returned stock before comparing campaigns.

Campaign advertising is recorded at campaign level in this framework. Allocating the same advertising bill to each order and then subtracting it again from campaign contribution would double count expenditure. Fixed rent and regular salaries remain outside order contribution unless an identifiable incremental component is caused by the campaign. Their exclusion does not mean that the enterprise can ignore them when assessing overall viability.

Let NR denote net revenue and VC denote attributable variable cost. Order contribution is $OC = NR - VC$. Campaign contribution is the sum of OC for its defined cohort minus traceable campaign expenditure CE. A positive campaign contribution is a contribution towards shared and fixed costs, rather than a complete measure of net profit.

Cost classification requires judgement. Extra weekend labour hired specifically for a promotion may be campaign expenditure; the usual monthly payroll may be a shared operating cost. When classifications are uncertain, the worksheet should show the disputed item and calculate both treatments. Consistency across periods matters more than the appearance of a single exact value.

Item	Proposed treatment	Control question
Seller discount	Deduct from revenue	Was it already deducted in channel data?
Transaction commission	Order variable cost	Does the fee match the settlement statement?
Campaign advertising	Campaign expenditure	Has it been deducted elsewhere?
Incremental temporary labour	Campaign expenditure	Is the additional shift traceable?
Regular premises rent	Shared operating cost	Is the campaign also assessed against total needs?

The worksheet should retain the original invoice or settlement reference. An unexplained total prevents reviewers from determining whether an apparent improvement reflects changed economics or merely a changed accounting classification.

4. Campaign contribution and incremental demand

Promotional orders are not necessarily incremental orders. Existing customers may use a discount for purchases they would otherwise make at the normal price, move a purchase forward, or change channels. The accounting calculation describes the observed cohort; an incremental evaluation additionally requires a credible estimate of what would have happened without the campaign.

Consider a hypothetical product priced at IDR 100,000. A seller-funded discount of IDR 10,000 reduces net revenue to IDR 90,000. Goods cost IDR 55,000 and other variable costs total IDR 15,000. Contribution is therefore IDR 20,000 per completed order before advertising and shared operating costs. One hundred such orders contribute IDR 2,000,000; advertising of the same amount leaves zero campaign contribution.

The example explains why sales volume alone cannot demonstrate economic success. It also does not establish that the campaign has destroyed value: the enterprise may have learned about demand or introduced a new product. Those benefits need a separate evidential basis and an explicit decision purpose.

A hypothetical break-even calculation gives $CE / OC = 100$ orders when the stated contribution remains constant. If contribution falls to IDR 15,000 because of additional fees, the minimum whole number of orders required rises to 134. If a portion of orders would have occurred without promotion, observed break-even is insufficient to establish incremental break-even.

Hypothetical assumption	Per-order contribution	Orders covering IDR 2 million advertising
Stated base case	IDR 20,000	100
Additional IDR 5,000 variable cost	IDR 15,000	134
Additional IDR 10,000 variable cost	IDR 10,000	200

These calculations hold product mix, capacity, and return behaviour constant. Real applications must allow those quantities to change. Capacity limits may create overtime, late delivery, and cancellations, so projected contribution should be recalculated when scale changes materially.

5. Settlement timing and liquidity exposure

Positive contribution does not guarantee that cash is available when suppliers require payment. A promotion may require materials, advertising, and packaging before the platform releases proceeds. A liquidity calendar therefore complements the contribution statement. The historical distinction between operating, investing, and financing cash flows in IFRS Foundation (2019) informs the separation, but does not itself provide a daily forecast.

The calendar records opening unrestricted cash, dated receipts, dated payments, and any minimum balance reserved for other obligations. Forecast cash at time t equals opening cash plus cumulative receipts minus cumulative payments. Receipts should reflect settlement timing and refund reserves rather than the order date alone. A receivable held by a channel is not immediately spendable cash.

In a hypothetical sequence, opening cash is IDR 3 million. Materials and other order costs of IDR 7 million plus advertising of IDR 2 million are paid before proceeds of IDR 9 million arrive. The temporary cash gap is IDR 6 million despite eventual campaign break-even. Actual scheduling may divide payments into smaller batches, but a favourable final balance cannot erase an earlier shortfall.

Hypothetical event	Cash movement	Running available cash
Opening balance	IDR 3 million	IDR 3 million
Goods and other variable costs	Minus IDR 7 million	Minus IDR 4 million
Advertising paid	Minus IDR 2 million	Minus IDR 6 million
Net proceeds settled	Plus IDR 9 million	IDR 3 million

A negative balance is a warning that the stated plan cannot be financed from the stated resources. It is not a recommendation to borrow automatically. Alternatives include reducing the campaign batch, negotiating verified payment dates, changing product mix, or postponing expenditure. Any financing option requires assessment of cost, availability, and repayment capacity. Cash reserved for payroll or other commitments should not silently be counted as a promotion budget.

6. Acquisition costs and repeat-purchase evidence

Customer acquisition cost should be calculated with a defined numerator and denominator. The numerator may include traceable acquisition advertising and campaign-specific creative expenditure. The denominator should count verified new customers rather than all orders. Where customer identities cannot be linked reliably, the estimate should be described as uncertain rather than reported with misleading precision.

An acquisition campaign can have low initial contribution and still be economically attractive if subsequent contribution is credible. However, anticipated repeat purchasing cannot be inserted as a balancing amount whenever the first order disappoints. Observed follow-up should use cohorts with comparable opportunities to purchase again, matching observation duration and product purchase cycles.

For example, customers acquired near the end of the reporting period have less opportunity to repurchase than those acquired at its beginning. Counting their absence of repeat orders as customer loss confounds follow-up time with behaviour. Cohort evaluation should state a fixed window, identify observations not yet complete, and distinguish organic purchasers from discount-acquired purchasers.

Retention calculations should subtract variable costs and future retention expenditure. Revenue from a second order is not identical to its contribution. Returned orders, identity mismatches, and changes in channel fees also affect the estimate. The worksheet should report observed amounts separately from projected future amounts, with assumptions visible.

Cohort field	Purpose	Common error prevented
Acquisition date	Establish comparable observation	Unequal follow-up windows
Verified new-customer indicator	Define acquisition denominator	Counting repeat buyers as new
Contribution of later orders	Measure subsequent economic value	Treating revenue as margin
Observation completion status	Identify immature cohorts	Premature classification of loss

A decision to continue acquisition spending should specify the maximum cash exposure while evidence accumulates. The framework does not require instant profitability from every new customer, but asks the business to identify who funds the learning period and what evidence would change the decision.

7. Decision worksheet and reconciliation

A practical worksheet can link order records to campaign summaries through stable identifiers. Each row records order date, channel, campaign code, gross price, seller discount, refund, variable cost categories, and settlement reference. Campaign-level rows record advertising, creative work, incremental labour, and other traceable costs. A separate cash sheet records payment dates.

The first reconciliation compares order totals with the channel statement. Differences may arise from unsettled orders, reserves, chargebacks, or fees reported elsewhere. The second reconciliation compares recorded receipts with the bank statement. A resolved difference should retain its explanation so that future reviewers do not need to reconstruct the same problem.

A decision record should identify whether the campaign is continued, modified, paused, or concluded. It should also specify the reason, budget ceiling, review date, and evidence still outstanding. An apparently precise dashboard is less useful than a simple worksheet whose figures can be explained and whose decisions are acted upon.

Responsibility can be divided without creating an elaborate department. One person records transactions, another checks key totals where feasible, and the owner approves the decision. Where staffing prevents separation, a periodic independent check of material items provides a compensating procedure. The model proposes these arrangements as researchable controls, not as a universal institutional requirement.

Review stage	Evidence to reconcile	Decision consequence
Order closure	Refunds and completed deliveries	Revise net contribution
Channel settlement	Fees and payment reserves	Revise expected receipts
Bank reconciliation	Actual receipt dates and amounts	Update cash calendar
Campaign review	Contribution, learning objective, capacity	Continue, modify, or pause

Records should distinguish a missing value from a verified zero. Missing delivery costs cannot be assumed to be absent merely because the channel export excludes them. Version dates and classification notes make comparisons reproducible. The enterprise should begin with one channel and product group before extending the worksheet to a more complex product portfolio.

8. Propositions and prospective research design

Proposition 1 states that campaign decisions incorporating reconciled order contribution will be associated with fewer campaigns producing negative contribution, conditional on recording quality. The mechanism is improved visibility of discounts and traceable costs. The proposition could fail if additional information arrives after spending is committed, or if managers disregard it.

Proposition 2 states that promotion spending limits linked to dated cash forecasts will be associated with lower short-term liquidity exposure. Opening reserves, supplier terms, and channel settlement rules are possible confounders. Businesses with stronger reserves may adopt better planning and experience fewer shortages even without a causal planning effect.

Proposition 3 states that acquisition-cost judgements change when comparable repeat-purchase contribution is included. The direction need not always be favourable: later returns or low repeat margins may reduce estimated value. The key prediction concerns information-sensitive judgement, not a universal increase in customer value.

A prospective panel should register definitions before campaign outcomes are observed. It would record campaigns within enterprises over multiple purchase cycles, document implementation dates, and retain a comparator where feasible. Seasonality, product prices, channel policy changes, and owner experience should be measured. A simple before-and-after comparison cannot alone establish causation.

Proposition	Primary outcome	Necessary qualification
P1: contribution information	Share of negative-contribution campaigns	Cost data completeness and timing
P2: cash-linked limits	Maximum shortfall and warning lead time	Opening reserves and payment terms
P3: comparable follow-up	Change in acquisition decision	Mature and identifiable cohorts

Analysis should account for campaigns nested within enterprises. Missing and immature cohorts should be reported rather than removed without explanation. A pilot can test whether recording is feasible, but pilot convenience must not be confused with representative evidence about MSMEs in West Java. Negative findings are informative if the extra recording effort does not improve decisions.

9. Sensitivity, implementation, and limitations

Sensitivity analysis should vary assumptions that managers cannot verify at the decision date. Relevant inputs include return rates, variable fees, settlement delays, and the share of orders genuinely caused by the promotion. The purpose is to identify which uncertainty could reverse a decision, rather than produce an attractive range around a preferred outcome.

A useful implementation sequence starts with classification agreement, continues with transaction reconciliation, and only then introduces automation. OECD (2021) provides context for differences in SME digital capability. In this framework, those differences justify a proportionate recording approach; they do not establish that a specific software product works for every enterprise. OECD (2024) places the financing question in a wider environment, without validating the campaign rules proposed here.

The owner should state decision thresholds before results are summarised. A campaign may continue for a clearly budgeted learning objective despite low early contribution. Conversely, a campaign with favourable average contribution may be paused if its cash requirements exceed available funds. The record should explain how the two criteria are balanced.

Assumption to vary	Potential decision reversal	Information worth collecting
Returns exceed plan	Positive contribution becomes negative	Return reason and completion date
Settlement takes longer	Affordable campaign becomes unfundable	Actual channel release history
Many orders are displaced	Observed success lacks incremental value	Comparison period or group
Capacity becomes constrained	Extra volume increases fulfilment cost	Overtime and cancellation records

The framework excludes a full valuation of reputation, referrals, and complementary products. It also depends on transaction identification and reliable settlement data. Its monitoring cost may exceed the benefit for very small or irregular campaigns. Validation must therefore assess administrative burden, missed opportunities, and managerial use of the information alongside monetary outcomes. No empirical improvement in profit or liquidity is claimed in this article.

10. Conclusion and research contribution

Digital promotion evaluation should connect observed orders to economic contribution, campaign expenditure, settlement timing, and comparable customer follow-up. The proposed framework clarifies how a campaign can report growing sales while offering little contribution or creating a temporary financing gap. Separating these outcomes provides a more explicit basis for managerial judgement.

The theoretical contribution is the distinction between transaction viability, campaign incrementality, and implementation affordability. These concepts imply observable mechanisms: cost definitions affect measured contribution; that information affects campaign choice; and payment timing affects whether the selected campaign can be executed. Their relationships remain propositions requiring field investigation.

The practical contribution comprises operational definitions, reconciliation steps, scenario calculations, and an evidence-based decision record. The worksheet need not begin as a complex application. It must instead preserve the reasons for classifying costs and the assumptions behind forecasts. Subsequent automation should follow an agreed and auditable calculation structure.

Further research should compare decision benefits with recording costs, examine immature customer cohorts, and assess whether spending limits suppress valuable market learning. The hypothetical calculations demonstrate the logic of the framework and must not be interpreted as enterprise performance data. Application to MSMEs in West Java requires transaction-level validation across sectors and business cycles.

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