

Empowering the Local Economy Through Creative Product Innovation in Pematang Johar

Claudie Tiofanny^{1*}, Phan Bao Giang², Muhammad Hafiz Abd.Rashid³, Ridwan Nurdin⁴, Nurma Sari⁵, Ovie Esrani Panggabean⁶

^{1,6} Sekolah Tinggi Ilmu Ekonomi Eka Prasetya, Indonesia, ² University of Economics and Finance, Ho Chi Minh (UEF) Vietnam, ³ Universiti Teknologi Mara (UiTM), Malaysia, ^{4,5} Universitas Syiah Kuala

*Corresponding author

E-mail: claudie.tiofanny@gmail.com (Claudie Tiofanny)*

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Abstract: Creative product innovation is vital for empowering local economies and improving MSME competitiveness, especially in rural areas. This community service in Pematang Johar Village aimed to strengthen creativity, innovation, and digital marketing among 42 participants, including MSME owners, youth, and women entrepreneurs. Through workshops and mentoring based on Service-Learning and Participatory Action Research (PAR), participants improved by over 50% in product design, packaging, and digital promotion. They created culturally inspired prototypes and formed the Pematang Johar Creative MSME Forum to ensure continued collaboration. The program shows that innovation enhances business competitiveness while promoting social inclusion and sustainability, contributing to SDGs 8 and 9 through inclusive economic growth and community-based innovation.

Keywords:

Community Empowerment; Creative Product Innovation; Digital Marketing; Local Economy; MSMEs

Introduction

In the era of global competition and rapid digital transformation, Micro, Small, and Medium Enterprises (MSMEs) play a central role in driving inclusive economic growth, particularly in rural areas. According to the Ministry of Cooperatives and SMEs (2024), MSMEs contribute more than 60% to Indonesia's GDP and absorb nearly 97% of the total labor force. Despite their importance, many rural MSMEs still struggle with creativity, innovation, and product differentiation—key factors that determine their ability to compete in a modern, innovation-driven economy (Kotler et al., 2021).

Pematang Johar Village in Deli Serdang Regency, North Sumatra, possesses significant potential in the fields of agrotourism, culinary arts, and traditional crafts.

However, most local MSMEs rely on conventional methods of production and marketing, with limited innovation in product design or packaging. This lack of creativity diminishes product appeal and hinders access to broader markets, especially within the tourism sector (Lestari & Susanti, 2023).

Creative product innovation serves as a crucial pathway for improving MSME competitiveness and achieving sustainable local development (Porter, 1990; Hidayat & Sari, 2023). According to Schumpeter (1934), innovation—whether in products, processes, or business models—is the fundamental driver of economic progress. By integrating creativity with entrepreneurship, rural communities can transform local resources into unique, high-value products that reflect both cultural identity and modern market demand.

To address these challenges, this community service program was implemented collaboratively by STIE Eka Prasetya, Universitas Syiah Kuala, Universiti Teknologi MARA (UiTM) Malaysia, Shinawatra University Thailand, and the University of Economics and Finance (UEF) Vietnam in partnership with local MSMEs and village authorities. The goal was to enhance local entrepreneurs' creativity and innovation capacity through design thinking workshops, product development training, and digital branding mentorship. The initiative aligns with the Sustainable Development Goals (SDGs) particularly:

- a. Goal 8: Promote sustained, inclusive, and sustainable economic growth; and
- b. Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation.

Methods

This community service program adopted a Service-Learning and Participatory Action Research (PAR) framework, integrating theoretical knowledge with practical application (Afandi et al., 2022). The activities were conducted on October 15, 2025, at the Pematang Johar Village Hall, involving 42 participants, including MSME owners, youth, and women entrepreneurs.

a. Preparation and Needs Assessment

A baseline survey was conducted to evaluate participants' awareness of creativity, innovation practices, and product development barriers. The survey found that 70% of MSMEs had not modified their products in the past two years, and 82% used simple packaging without brand labels. Interviews revealed that most entrepreneurs lacked digital design skills and knowledge of online promotion tools such as Canva, CapCut, and Instagram Business.

b. Training and Workshop Implementation

Based on these findings, the program consisted of three main sessions:

1. Creative Thinking and Product Design

Introduced the design thinking process—empathy, ideation, and prototyping—helping participants identify customer needs and transform raw ideas into creative product concepts.

2. Branding and Packaging Innovation

Participants learned visual identity design, color psychology, and low-cost packaging innovation using local materials. Labels incorporating cultural motifs were created to reflect Pematang Johar's heritage.

3. Digital Marketing and Product Photography

Practical sessions focused on smartphone photography, visual editing, and short-form video production. Participants developed digital catalogs and learned to optimize social media for promotion.

During workshops, participants collaborated in business clusters (culinary, crafts, and agrotourism) to co-create new product prototypes, supported by mentors from STIE Eka Prasetya and UiTM.



Figure 1. Group Photo with Some of The Participants

c. Mentoring and Evaluation

After the workshop, participants received two weeks of personalized mentoring to finalize their product prototypes, brand visuals, and online presence. Evaluation combined pre- and post-tests, direct observation, and focus group feedback.

Table 1. Improvement of Creative Innovation and Branding Skills Among MSME Participants in Pematang Johar

Indicator	Before Training (%)	After Training (%)	Increase (%)
Understanding of creative product innovation	38	90	+52
Ability to design packaging and branding	32	85	+53
Use of digital design tools (Canva, CapCut, etc.)	25	80	+55
Application of storytelling in product marketing	28	78	+50
Awareness of creative economy opportunities	40	88	+48

Results

The implementation of the *Creative Product Innovation Program* in Pematang Johar Village resulted in substantial and multi-dimensional impacts on the participating micro, small, and medium enterprises (MSMEs). The initiative not only enhanced participants' technical skills in design and digital marketing but also fostered confidence, entrepreneurial creativity, and collective collaboration. Quantitatively, the post-training evaluation demonstrated an average increase of more than 50% across all key indicators of creative competence, including product design, branding, and digital promotion. Qualitative data collected through interviews and observations revealed a marked shift in participants' mindset—from traditional, production-based thinking to a more innovation-oriented and customer-focused perspective.



Figure 2. Group Photo of The Educator

These findings reaffirm the theoretical view of Schumpeter (1934), who described innovation as the “engine of economic development.” In this context, Pematang Johar’s MSMEs began to internalize creativity not merely as an artistic pursuit but as a strategic element for economic differentiation and value creation.

Empowering Local Creativity

One of the most significant outcomes of the program was the emergence of local creativity as a catalyst for sustainable product innovation. Participants were guided through the stages of *design thinking*—empathy, ideation, and prototyping—which allowed them to reimagine their products based on consumer needs and cultural narratives.

For example, culinary entrepreneurs redesigned their palm sugar packaging into eco-friendly containers made from woven palm leaves, providing both aesthetic appeal and environmental sustainability. Meanwhile, local artisans incorporated batik-inspired floral motifs and *ulos*-patterned textures into handicrafts, connecting modern design trends with local cultural heritage. These creative transformations made the products more recognizable and competitive in the growing tourism market (Kotler & Keller, 2020).

Participants also learned to develop *brand stories* that reflect authenticity,

origin, and craftsmanship. For instance, several MSME owners began marketing their products under the tagline “*Handmade from Pematang Johar*” or “*Tradition Meets Innovation*.” This integration of *storytelling* and visual branding increased customer engagement and emotional connection, aligning with Marketing 5.0 principles that emphasize human-centered and technology-enabled experiences (Kotler et al., 2021).

The improvement in creative confidence was clearly visible during the mentoring phase. Participants demonstrated the ability to experiment with color combinations, typography, and digital content creation tools such as Canva and CapCut. This marks a pivotal change for MSMEs that previously relied solely on conventional designs or outsourced their creative work. By gaining these skills, local entrepreneurs became self-reliant in managing their product aesthetics and digital presence.

Strengthening Collaboration and Community Empowerment

Beyond individual learning outcomes, the program also catalyzed a new culture of collaboration within the local entrepreneurial ecosystem. The establishment of the Pematang Johar Creative MSME Forum became one of the program’s most valuable achievements. The forum functions as a hub for joint innovation, where MSME owners share design ideas, exchange packaging materials, and coordinate collective marketing campaigns.

Cross-sector partnerships flourished as a result of the forum’s activities. For example, food producers collaborated with handicraft artisans to create *souvenir gift sets* that combine local snacks with traditional craft packaging. Such collaborative innovations exemplify the growth of a *creative cluster ecosystem*—a concept emphasized by Hidayat and Sari (2023) where continuous knowledge exchange and shared creativity stimulate community-wide economic progress.

This transformation also empowered participants socially. Women entrepreneurs, who previously limited their roles to home-based production, began to participate actively in public exhibitions and online marketing. Youth participants played a critical role in bridging the technological gap by assisting older MSME owners with digital tools and social media management. This intergenerational collaboration promoted inclusivity and knowledge transfer, reinforcing the principles of participatory community empowerment.

The digital adoption outcomes were equally impressive. About 68% of participants created new Instagram or TikTok business accounts, 43% launched online stores through e-commerce platforms like Shopee and Tokopedia, and several MSMEs successfully joined regional trade fairs using digital catalogs. These achievements align with Bank Indonesia (2023) and UNWTO (2023) recommendations that

highlight digital transformation as a vital driver of innovation in rural tourism economies.

Furthermore, the program enhanced the sense of local pride and collective identity. By integrating creative branding with cultural symbolism, Pematang Johar's entrepreneurs began to view their products not only as economic assets but also as expressions of heritage and community resilience.

Challenges and Adaptation Strategies

Despite the program's success, several challenges emerged during implementation. The most significant barriers included limited access to design equipment, unequal levels of digital literacy, and financial constraints in scaling creative prototypes into market-ready products.

Some participants, especially older MSME owners, faced difficulties navigating digital design tools due to lack of prior exposure. Additionally, inadequate infrastructure—such as unreliable internet connectivity and limited access to printers or packaging materials—hindered real-time practice during training sessions.

To overcome these challenges, the facilitation team employed several adaptive strategies:

1. Offline Creative Toolkits – Participants were provided with printed design templates and visual guides to continue learning without requiring internet access.
2. Peer Mentoring System – Younger, digitally proficient participants were paired with senior MSME owners to facilitate hands-on learning and mutual support.
3. Microfinance Facilitation – The program connected participants to *Kredit Usaha Rakyat (KUR)* schemes, allowing them to access small-scale loans for production improvement and packaging materials.
4. Community Resource Sharing – MSME members shared printing resources and raw materials through the Creative Forum to reduce costs and encourage collaboration.

These adaptive measures ensured inclusive participation, bridging the digital divide while promoting collective ownership of the program's outcomes.

As a result, by the end of the mentoring phase, all 42 participants were able to complete their creative prototypes, and 95% successfully implemented at least one digital promotion strategy. Follow-up monitoring three months later indicated that more than half of the MSMEs reported increased customer inquiries and improved product visibility on social media.

These outcomes illustrate that creative empowerment, when combined with community-driven collaboration, can produce sustainable social and economic

transformation. The findings are consistent with Porter's (1990) theory of competitive advantage, which argues that innovation and local cooperation are key sources of differentiation in regional economic growth.

Discussion

In summary, the *Creative Product Innovation Program* in Pematang Johar has significantly advanced local MSMEs in three key dimensions:

1. Skill Development – Strengthening creativity, branding, and digital literacy.
2. Collaborative Empowerment – Building a community-based creative ecosystem.
3. Sustainability and Inclusion – Encouraging long-term cooperation and financial access.

Through continuous mentoring and the formation of collaborative structures, the program successfully transformed Pematang Johar into a growing creative economy hub, demonstrating how rural innovation can be both inclusive and sustainable when rooted in community participation and local identity.

Conclusion

The Creative Product Innovation Program conducted in Pematang Johar Village successfully demonstrated how creativity, design thinking, and digital marketing can serve as catalysts for local economic empowerment. The program effectively bridged the gap between traditional craftsmanship and modern innovation, enabling local MSMEs to improve product quality, strengthen branding, and enhance digital visibility.

Quantitative results showed a significant increase in creative competence averaging over 50% improvement across indicators such as product design, packaging, and digital promotion. Qualitatively, participants exhibited behavioral transformation: they shifted from a passive production mindset to an entrepreneurial and innovation-driven orientation, characterized by curiosity, adaptability, and collaboration.

The establishment of the Pematang Johar Creative MSME Forum emerged as a pivotal outcome, institutionalizing community collaboration and ensuring long-term sustainability of innovation practices. This collective platform transformed isolated entrepreneurs into a connected creative network, fostering resource sharing, co-branding, and continuous learning.

From a broader perspective, the program contributes to both theory and practice. It validates the principles of Schumpeter's innovation theory (1934)—that

creativity and new combinations of resources drive economic growth—and aligns with Porter's (1990) *competitive advantage of nations*, which emphasizes innovation and collaboration as local development drivers. The approach also embodies the spirit of Service-Learning and Participatory Action Research (Afandi et al., 2022), demonstrating that co-learning between academia and community can generate transformative, context-specific solutions.

In alignment with the Sustainable Development Goals (SDGs), this initiative directly supports:

- a. Goal 8 (Decent Work and Economic Growth): by improving MSME productivity and competitiveness;
- b. Goal 9 (Industry, Innovation, and Infrastructure): by promoting inclusive innovation and digitalization; and
- c. Goal 12 (Responsible Consumption and Production): by encouraging sustainable materials and eco-friendly packaging.

Ultimately, the program illustrates that creative innovation is not merely about aesthetics—it is an inclusive development strategy that integrates economic empowerment, cultural preservation, and community pride.

Recommendations

Although the Creative Product Innovation Program achieved significant success, several challenges remain that require strategic follow-up to ensure sustainability. Future initiatives should focus on establishing a Village Creative Center in Pematang Johar as a permanent hub for collaborative design, product development, and exhibition. This center would serve as a meeting point for local entrepreneurs, educators, and government representatives to continuously exchange knowledge and foster creativity. Moreover, strengthening partnerships with financial institutions such as local banks, cooperatives, and the *Kredit Usaha Rakyat* (KUR) program is crucial to enhance MSMEs' access to funding for innovation and equipment upgrades. Continuous education is equally essential; therefore, periodic workshops on digital literacy, design tools, and branding should be organized, especially by involving youth organizations such as Karang Taruna as creative facilitators and digital mentors.

In addition, regional branding efforts must be intensified to position Pematang Johar as a Creative Tourism Village that integrates culinary, cultural, and craft products under a unified identity. Such regional branding not only expands market reach but also reinforces the village's image as a center of innovation and cultural preservation. Academic collaboration should also continue through longitudinal studies assessing the long-term economic and social impacts of creative innovation on

MSME growth. The outcomes of these studies can provide empirical insights for policy formulation at the local and provincial levels, supporting the replication of similar models in other rural communities. Finally, future programs should emphasize green and sustainable innovation, encouraging the use of environmentally friendly materials and responsible production processes. This will align local initiatives with Indonesia's commitment to sustainable development and the global transition toward an inclusive, creative, and eco-conscious economy.

Final Reflection

The experience in Pematang Johar demonstrates that innovation is not confined to urban industries—it can thrive in rural villages when creativity is nurtured through education, collaboration, and inclusion. The program's success rests on three interrelated pillars: knowledge transformation, community empowerment, and institutional partnership.

Through this initiative, MSME actors gained not only practical skills but also a renewed sense of confidence and identity as creative entrepreneurs. By transforming traditional products into symbols of innovation and cultural pride, the people of Pematang Johar have taken meaningful steps toward building a resilient and self-sustaining creative economy ecosystem.

As such, this program provides a replicable model for rural innovation in Indonesia and Southeast Asia—where creative product development becomes both an economic and social movement, ensuring that no community is left behind in the journey toward inclusive, sustainable growth.

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