

## CREATIVE ECONOMIC DEVELOPMENT MODEL BASED ON COCONUT PRODUCTS THROUGH BUSINESS MENTORING

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### **Abstract**

Creative economy is an economic sector that has given contribution in creating jobs, increasing exports, creating innovation and creativity, and providing a positive social impact in improving quality of life and tolerance. This research take place in "Rizki Abadi" Small and Medium Enterprise (SME) in Sekardangan, Papungan Village, Kanigoro District, Blitar Regency. This SME produces coconut-based snacks called opak gambir. Several obstacles faced by this SME includes lack of innovation in product packaging, unstable raw material prices, inadequate human resources, and conventional marketing methods. The purpose of this research is to depict the model of Opak Gambir-based creative economy development through product innovation, problem identification, and solution making. This research uses primary and secondary data source which consist of direct field observations, interviews, journals, and other articles related. The result of this research found that simple packaging methods, inconsistent labeling and conventional marketing methods lead to inaccurate service and less extensive marketing reach. Unstable raw material price affects sales stability, while the quality of raw materials does not affect sales stability. The environment has no impact to the sales stability due to competition among SME's. Simple production equipment does not significantly affect the stability of sales, while the quantity of sealer affects production's punctuality. Skills and the amount of labor do not have an impact on sales stability. Meanwhile, business mentoring has an ability to help increase in sales due to its support in using online media for promotion and adding the quantity of sealer. In addition, it helps SME attain raw materials from Koperasi.

### **Research paper**

**Keywords:** SME, Productivity, Creative economy, Opak gambir, Mentoring

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## **Introduction**

### ***Research Background***

According to Research Master Plan (RMP) of Malang Islamic University, Food Security becomes the main focus of RMP. As the main focus of Research Master Plan, this research tried to combine this issue with Creative Economy. Since 2015, Indonesia proved its strong commitment in developing creative economy sector through Government Regulation Number 6 in 2015. In this regulation, government has founded Creative Economy Agency which has a responsibility in developing Indonesia's Creative Economy.

In Indonesia, Creative Industry has to be developed due to its important role in economic development (Ministry of Commerce, 2008). First, Creative Industry has given a significant contribution in increasing job employment, export, and Gross National Product (GNP). Second, Creative Industry can create positive business climate which affect positively to other sectors. Third, Creative Industry can build national identity, culture, and heritage through tourism and national branding. Fourth, Creative Industry can create sustainability due to its renewable resources (i.e knowledge and creativity). Fifth, Creative Industry can increase competitive advantage of a nation. And last, Creative Industry can give positive social impact such as increasing social tolerance and life-quality.

Year by year, Creative Economy has increased in Indonesia. Through Small Medium Enterprises (SMEs), Creative Economy has absorbed 97.3% workforce. While the amount of SMEs in Indonesia has reached 99.9% compared to all enterprises. This significant development should be maintained

through several ways. First, increase SME's competitiveness. Second, strengthen SMEs through applying good governance management. Third, expand SMEs basis, expand business opportunity and enterprise. Fourth, supply high-quality product in domestic market in order to increase its competitiveness with import product. And fifth, build cooperation in order to repair and strengthen SMEs institution.

In Kanigoro, Blitar Regency, SMEs has grown in significant number, especially in food and clothing sector. Various processed food, especially based on coconut, such as opak gambir, lentari, peyek, and jenang are available in this village. These processed foods developed fast in Kanigoro due to the ease of ingredients, production, packaging, and marketing process. Nevertheless, SMEs in Kanigoro still need to be guided and motivated by both internally and externally (i.e government).

Opak gambir enterprise can be an example in this case. Twenty-seven years running enterprise, this SME hasn't seen a significant progress. One of the problems haunted this SME is lack of innovation in its packaging. In addition, unstable raw material price, low capacity of human resources (lack of business understanding), simplicity of marketing method.

Based on those problems, Creative Economic Development Model through SME Mentoring for Coconut-based product has to be noticed more by both government and society in order to increase its competitiveness. Government policies have to be more suitable for SME's development (e.g. see,

Salamzadeh and Kawamorita Kesim, 2017; Salamzadeh et al., 2017). Government's role in empowering Creative-Economic-Based SMEs has to be increased too.

Creative Development will both show national competitive advantage and give positive social impact. Through Creative Development for SMEs in Kanigoro, we hope that we can help increase economic growth in Kanigoro, Blitar Regency. Besides, we hope that we able to build positive image of Kanigoro local heritage and culture.

### ***Research Problem***

How to increase the productivity of Opak Gambir SME based on Creative-Economic Development Model through business mentoring?

### ***Research Purposes***

Depicting, identifying, and elaborating solution for Opak Gambir SME based on Creative-Economic Development Model through business mentoring to increase its productivity.

### ***Research Benefits***

Group's self-sufficiency will be built after this program. In addition, networks will be built, productivity and income will increase.

## **Literature review**

### ***Existing Approaches***

Rakib Muhammad (2017) in his research titled “Creative Economic Development Strategy Based on Local Heritage as Tourism Interesting Factor” observed government, society, creative industry entrepreneur, and tourist in order to find potential harms and opportunities of a local tourism object. Using quantitative, qualitative, and SWOT analysis method, this research found that there are some main problems which become weakness and threat. Those includes: a) Limited, even unavailable, infrastructure in tourism sector; b) Low accessibility due to damaged road; c) Limited facility in housing environment; d) lack of promotion; and e) Unavailability of Tourist Information Center (TIC).

Creative Economic Development Strategies which should be done in Balla Peu residential area include: a) Managing Balla Peu traditional residential area; b) Increasing the quality of environment, culture, and creative-industry product; c) Increasing tourism promotion through Mamasa Tourism and Culture Agency, Travel, and Tourist Information Center; d) Increasing the quality of human resources.

Irrubai Liwa (2016) shows that packaging, marketing, and labeling can increase the opportunity of local product to gain larger market in the future. The research titled ‘Labeling, Packaging, and Marketing Strategy for Home Industry’ done by using qualitative method in Karang Bajo village, Bayan district, North Lombok, West Nusa Tenggara. Through observation, interview, documentation, and domain data analysis, Liwa observed 10 local

entrepreneurs. She said that the result of the research shows that in order to gain larger market and more opportunity for local product, one can utilize the strategy of labeling, packaging and marketing. In spite of good packaging strategy, local products should not easily feel satisfied with its effort. Local product has to increase its competitiveness through good management.

Darwanto (2013) observed that in Central Java, the existence of SMEs has a good economic potential. However, these SMEs still have a minimum capacity of institution's management. Thus, Darwanto analyzed the strength, weakness, opportunity, and threat of SMEs in order to know the exact solution in solving SME's management. Using data from Central Bureau of Statistic as well as SMEs and Cooperation Agency in Central Java Province, he found a solution that SMEs should adopt Western institution's management system such as using copyright as one of business' incentive.

## **Theoretical basis**

There are some regulations in Indonesia which have explained about Creative Economy sector. Regulation of Creative Economy Bureau's Head Number 8 of 2017 about Creative Economy Strategic Plan has defined Creative Economic Enterprises as follows:

Creativity is a capacity or an effort to generate or create something unique and new, as well as create solution to solve problems;

Creative Economy is an excogitation of creative-based added-value; Creative Economic Enterprises are both legal and illegal enterprise using creativity to produce recognized good and service.

After understanding the definition, Indonesia Government classified Creative Economy Product into 16 subsectors, those are: a) Architecture; b) Interior Design; c) Visual Design Communication; d) Product Design; e) Animation Movie; f) Photograph; g) Handmade; h) Culinary; i) Music; j) Fashion; k) Game and Application; l) Publisher; m) Advertising; n) Television and Radio; o) Performing Arts; and p) Arts. Central Bureau of Statistic then elaborated these lists into 206 Indonesia Standard Classification of Business Field.

Small and medium enterprises (SMEs) according to Law No. 20 of 2008 is a Micro Business which means productive businesses owned by individuals and / or individual business entities that fulfill micro criteria, with Rp. 50,000,000 maximum asset, Rp. 300,000,000 maximum turnover and four employees (maximum). In other side, small enterprise is a productive and self-sufficient business, carried out by individuals or entities which do not become a part of companies owned and controlled by medium-sized businesses or large businesses. Small enterprise can have asset more than Rp 50.000.000 until Rp 500.000.000 with maximum turnover Rp 2.5 billion and maximum employees 5-19 people. Medium enterprise, at last, is a productive and self-sufficient business run by individuals or entities which do not become a part of companies owned and controlled by medium-sized businesses or large businesses with maximum asset above Rp 2.5 billion till Rp 50 billion, maximum turnover between Rp 500.000.000 and Rp 1 billion, and number of employees between 20 and 99 people. Since Irrubai Liwa (2016) remarked that packaging strategy can increase the opportunity of local product

to gain larger market, Danger (1992) does have the same idea. Packaging, as a complex subject has become inseparable part of product's promotion and sales. Packaging shall be differentiated from packing. Packaging comprises all concept and processes of packing, such as direct pack, outer pack, etc. A nice packing will not sale anything without a good packaging. While bad packing can give bad impression however good is the packaging (E.P. Danger: 1992). Thus, in developing SMEs based on these theoretical basis, the improvement of packaging is needed.

## **Research method**

### ***Locus***

This Research located in "Rizqi Abadi" Enterprise in Papungan Village, Kanigoro District, Blitar Residency. The selection method was done intentionally by observation to find out potential Creative Economy sector which could be developed. One of the prominent potentials chosen was the Opak Gambir business. This research was conducted in June 2018 until October 2018.

### ***Analytical Method***

In analyzing the economic potential of Opak Gambir SME, this research used fish bone analysis method with mechanism as follows: a) Determining main problem faced by creative economy entrepreneur; b) Analyzing various factors (i.e man, method, machine, material, and environment). Afterwards, team implemented planned strategy for targeted groups under the

guidance of researcher; c) Verification and validation of implementation. Team and researcher evaluate the advantages and disadvantages of strategy used; and finally d) Team and researcher arrange the suggestion for next implementation or research.

### Logical Framework

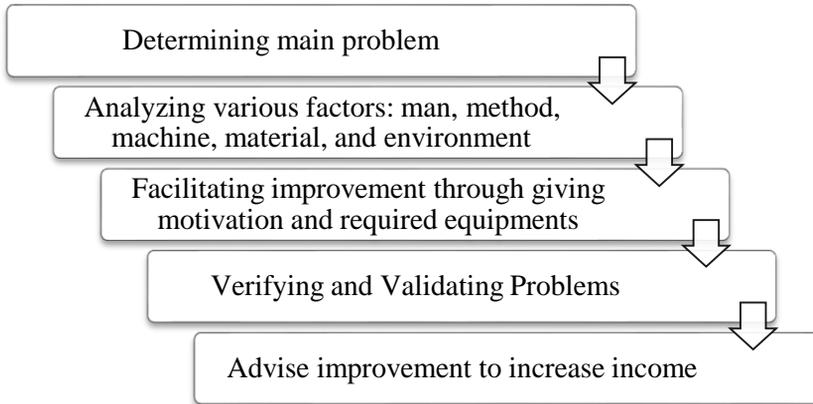


Figure 1. Logical Framework

### Results

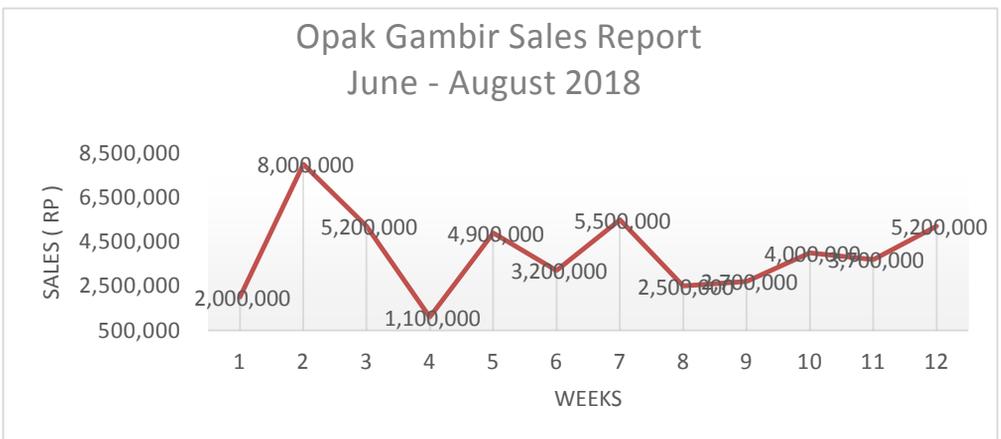
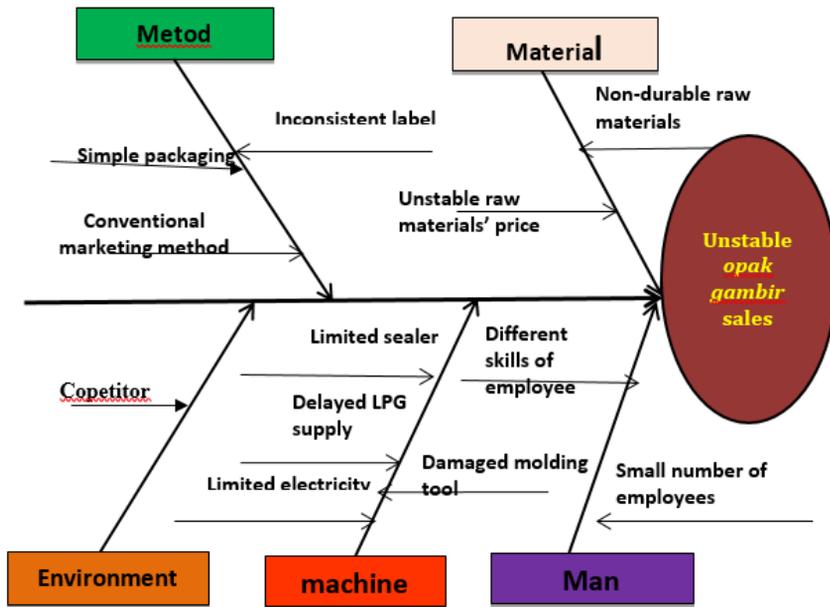


Figure 2. Opak Gambir Sales Report 2018

Sales data of *Opak Gambir* in the first observation, from the first week of June until the last week of August 2018, has faced instability from expected target of Rp 4.500.000- per week. Using fishbone diagram, team and researcher tried to analyze the problems. From the possible causes of the unstable *Opak Gambir* sales, verification then done by checking directly to the market.



**Figure 3.** Fishbone diagram of Opak Gambir SME

**Explanations**

This research aims to know the impact of six factors (man, method, material, environment, machine, and human) to the stability of *Opak Gambir* sales.

<b>NO.</b>	<b>Probable Cause</b>	<b>Validation</b>	<b>Impact</b>
1.	Simple Packing	Manual packaging using plastic sealer	Need a lot of time so that SMEs cannot fulfill a lot of orders in short time
2.	Inconsistent Product Label	Limited labels are available	Some of products sold without labels
3.	Conventional Marketing Method	Sales done by some locals and sometimes showed in front of resident's house	Local product cannot reach larger market, even tourist rarely know <i>opak gambir</i> product
4.	Unstable Raw Material Price	Unstable price of eggs and flour due to minimum stock in the market	Cannot fulfill a lot of orders
5.	Raw Materials are Not Durable	Limited stock of raw materials	No impact to sales stability
6.	Delayed supply of LPG gas	Scarcity of LPG gas in Kanigoro these months	Delayed production, cannot fulfill <i>opak gambir</i> order on time
7.	Limited electricity supply in production	Using low-electricity in production	No impact to sales stability
8.	Limited plastic sealer	There is only one plastic sealer	Cannot fulfill a lot of order
9.	Broken oven machine	Easy-to-repair machine due to its simplicity	Large amount of oven machine Easy-to-repair when it's damaged
10.	Different Skill of Employees	All employees are locals with junior high school education level	No higher skill needed in production
11.	Limited employees	Six employees	Overtime job when the quantity of order increase
12.	Competitor	A lot of <i>Opak Gambir</i> SMEs in a village	No material impact due to co-operation system built

**Tabel 1.** research aims to know the impact

***Integrated research's results***

This research found several problems faced by Rizqi Abadi SME in developing its business. First, simple packaging makes production cannot serve quickly when there are a lot of orders. Business mentoring gave result to add plastic sealer and to motivate packing staff to work neatly. Better work

will give better result. And better work comes from better skill. We can define skill as the implementation of thinking ability which can produce both good and service. Al-Quran and Sunnah have given us an advice to improve knowledge and skill, as follows:

"And seek (reward) the Hereafter with what Allah has bestowed on you, but do not forget your part in the world ..." (QS Al-Qosas 28:77) and "Honest, trustworthy traders, together with the Prophet, true people and martyrs "(HR Harmidzi and Hakim)

Another problem faced by Rizqi Abadi Enterprise is inconsistent product label due to limited labels are available. This causes some unlabeled product which can decrease consumer's purchase. Besides, conventional marketing method used by this SME make it just focused on surrounding community as its consumer. High demand usually comes around Idul Fitri and Idul Adha Day when a lot of people celebrate wedding. While in its daily, Rizqi Abadi's owner distributes *opak gambir* through local's store and sales outside Blitar.

This conventional marketing strategy and lack of consistency in labeling should be improved in order to expand market. According to Al-Quran Surah Al-Mulk verse 15, Alloh swt. decree:

"He is the one who made the earth for you that is easy to explore, so explore in all directions and eat some of His sustenance. And to Him you will return after being resurrected."

From this verse we can take a message that exploring the Earth through marketing, let say expanding market, is permitted even suggested in

order to look for His blessing. Liwa Irrubai (2016) and Muhammad Rakib (2017) in this case give a suggestion through labeling strategy. Their research has proven that labeling strategy can help expanding market and increasing consumer's purchase.

Unstable raw material's price also becomes a problem which affects market supply. At present, *Opak Gambir* entrepreneur solve this material problem by means of cooperation. They borrow each other's equipment when they need. Despite of this cooperation mechanism in equipment, LPG doesn't include in this consideration. People use their own LPG, so that when the LPG supply is delayed, their productivity affected.

Reflecting this condition, business mentoring suggested entrepreneurs to found cooperation institution in order to supply certain equipment and LPGs. This solution is expected to be able to minimize the production cost. Alloh swt also decree that He already served all human needs both in the earth and in the sky. In Surah Ibrahim verse 32-34, He said: "It is Allah who has created the heavens and the earth, and causeth water to descend from the sky, and then with the rains He springs of fruit as sustenance for you, and has humbled you for sailing by His Will, and He has bending down the rivers for you. And He has subdued the sun and the moon for you continually circulating (in its orbit); and have bowed night and day to you. And he has given you all that ye ask of Him. And if you count the favors of God, you surely will not be able to count them ... "

Back to other probable factors, machine factor in fact does not bring significant impact to sales' stability. So do the electricity and cooking equipment, these factors are still able to be controlled. Although some machine and equipment do not have significant impact, electric sealer can influence the celerity of production.

Every day, with one electric sealer, an SME can pack 15kg *opak gambir* for 6.5 work hour. When market demand increases, production will be delayed. Thus, business mentoring team helped adding one plastic sealer to increase productivity and solve this problem.

Work labor factor, in other side, does not bring a significant impact despite each employee has different productivity. When demand increases, employees have to work overtime and they will be paid at the amount of their work per kilogram. Skill and age are not considered as determining factor in production process. In facing this factor, business mentoring team then accompanied SME's employee by giving motivation, increasing work spirit, giving uniform, free lunch and having excursion together once a year.

The last probable factor, environment, also does not bring a significant impact due to good social atmosphere in Papungan village. Each SME helps and cooperates to build their successful. Through cooperation and entrepreneurs' organization, they build positive teamwork. They help another SME which need some capital in its production through these associations. They also help to distribute and sell SMEs product through drop-ship model.

## **Conclusions**

Creative Economy has contributed to job employment, export raising, innovation making, and social building. This research conducted in Rizqi Abadi Enterprise in Sekardangan, Papungan Village, Kanigoro District, Blitar Residency. This small enterprise produces coconut-based snack called *opak gambir*. This enterprise had faced some obstacles in developing its business, as follows: lack of packaging innovation, unstable raw material's price, lack capacity of human resources, and conventional marketing method.

This research aims to describe an exact model of Creative Economic Development for *Opak Gambir* product. Firstly, this research analyzed some probable factors faced by entrepreneur. Analysis was done through observation, interview, as well as reading articles and journals. Afterwards, based on those specific problems, researcher and business mentoring team arranged the solutions for SME. Based on analysis and observation, the results of this research are:

1. Simple packaging makes production cannot serve quickly when there are a lot of orders
2. Inconsistent product label causes some product unlabeled which can decrease consumer's purchase.
3. Conventional marketing method limit market expansion
4. Unstable raw material's price affects sales stability
5. Raw material's quality does not affect sales stability
6. Delayed LPG supply affects production process and sales stability
7. Some equipment needed in production process are still easy-to-repair
8. Molding equipment can still be used even in damaged condition

9. Work labor factor does not affect sales stability
10. Environment does not affect sales stability significantly due to good society condition.

## **Suggestions**

Business mentoring aims to motivate SMEs in developing *Opak Gambir* enterprise based on Creative Economic Development. Through business mentoring, we suggest:

1. Packaging improvement in order to increase productivity on time
2. Expand market through maintaining conventional marketing method while developing online marketing method
3. Optimalization of cooperation in order to ensure stable raw material's price
4. Increase work motivation for employee by giving proper wages when they work overtime
5. Maintaining tolerance and social charity among entrepreneurs in order to develop other creative enterprise potencies in Sekardangan

Build strong cooperation with government, university, and investor to promote local product

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