

ABSTRACT

The local fashion industry in Bandung, including MSMEs such as Neric.Story, faces major challenges amidst post-pandemic market shifts. The Covid-19 pandemic has significantly influenced consumer behavior, with an increasing preference for online shopping and a demand for higher-quality yet affordable products. On the other hand, the high level of competition, both from local competitors and imported products, has intensified the fashion market.

This study aims to evaluate the impact of product innovation on the competitive advantage of Neric.Story. A quantitative approach is employed, using a descriptive research design and simple linear regression analysis. The sample was selected using convenience sampling, a type of non-probability sampling technique. The study utilized a survey distributed to 165 Neric.Story customers who had made more than one purchase within the last six months. To measure the variables of product innovation and competitive advantage, questionnaires were distributed online using Google Forms.

The results show that product innovation has a significant influence on competitive advantage, with a contribution rate of 57,6%. These findings highlight the importance of innovation as a key strategy to attract consumer interest and maintain a strong position in a competitive market. This research also provides practical contributions for MSMEs in formulating effective product development strategies and offers academic value by enriching the literature on the role of innovation in enhancing the competitiveness of MSMEs in the fashion sector. Furthermore, the results may be used by the government and related parties to encourage MSME growth through appropriate policy implementation. For further research, it is recommended to include fashion SMEs in various regions for a broader comparative analysis, using a longitudinal approach, and adding variables such as marketing strategies, service quality, and products to enrich the understanding of competitive advantage.

Keywords: *Product Innovation, Competitive Advantage, Fashion Industry, MSMEs*