

ABSTRACT

In the era of the creative industry now, product innovation is an important thing that must be done by an entrepreneur to gain competitive advantage (Sunyoto, 2015: 41). These demands apply to all industries, including SME “Duren Kamu Pasti Kembali” (SME “Duren KPK”).

The study was conducted to determine and analyze the product innovation at “SME Duren KPK”, competitive advantage at “SME Duren KPK”, and the influence of the product innovation on competitive advantage at “SME Duren KPK” in Serang City.

This study uses quantitative descriptive research-causality. Sampling technique used was saturated sampling type under non-probability sampling, with the total number of 19 respondents. The data was analyzed descriptively, and the hypothesis were tested by using simple linear regression analysis.

Based on the results of testing the hypothesis with the t-test, product innovation significantly influenced on competitive advantage at “SME Duren KPK” in Serang City. The results of coefficient of determination showed that product innovation at “SME Duren KPK” was able to explain 77,8% competitive advantage, and the remaining 22,2% was influenced by other factors not examined in this research, such as market orientation, product creativity, and product diversity.

The conclusion of this study is product innovation at “SME Duren KPK” is categorized as good, but there are several aspects that need to be improved such as product innovation that is still easily imitated by other competitors, and the price of products that are not yet affordable.

Keywords : *Product innovation, competitive advantage, market orientation, product creativity, and product differentiation.*