The Role Of Product Innovation And Marketing Performance In Enhancing Competitive Advantage In Micro, Small, And Medium Enterprises (MSMEs) In The Fashion Sector

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ABSTRACT
MSMEs engaged in the fashion sector must have a competitive advantage in overcoming business competition. Competitive excellence cannot be separated from the role of product innovation, digital marketing, and marketing success. This study aims to analyze the influence of product innovation on competitive advantage through marketing performance moderated by digital marketing in the fashion business sector in Surabaya. The type of research used is quantitative research and sampling techniques, namely purposive sampling techniques with the number of samples obtained based on criteria. This study was conducted by distributing questionnaires to as many as 128 respondents. The results showed that product innovation has a significant effect on competitive advantage, product innovation has a significant effect on marketing performance, marketing performance has a significant effect on competitive advantage, product innovation does not have a significant effect on competitive advantage moderated Digital marketing and marketing performance do not have a significant effect on the competitive advantage moderated by digital marketing.

INTRODUCTION

The fashion industry is one of the MSME sectors that has a contribution to the economy in Indonesia. MSMEs in this section are the largest contributors to the country's foreign exchange, moreover, this sector is increasingly experiencing improved performance. Throughout the first quarter of 2019, the fashion industry in Indonesia experienced a significant increase with growth reaching 18.98%, exceeding the achievement throughout 2018 which was 8.73%. Even the achievement of the first quarter of 2018 had a percentage of 7.46%,

The fashion industry is one of the five manufacturing sectors that are a priority for development towards the industrial era 4.0, it is expected that in the future national fashion and apparel manufacturers will be included in the top five in the world in 2030 The fashion industry in East Java, especially Surabaya, has increased by 8.17% (Linda, 2019). National fashion industry players still have to work hard to increase productivity, quality, and efficiency. (Linda, 2019). The fashion/textile industry has the potential to sustain the country's economy. This industry has a very large opportunity with a fairly high level of competition (BPS, 2015).

MSMEs in general in various sectors play an important role in the national economy. This business secretary moves quickly so it requires business actors to be more careful, efficient, and effective in managing various resources owned. Although MSMEs have great growth potential in Indonesia, the potential possessed by SMEs is not balanced with advantages in competition. The context of competitive advantage can be understood as the ability of each company to find competitive strategies and formulate the right competitive basis to excel.

Competitive advantage relates to the way a company chooses and implements a general strategy into practice. All parts of the organization in the form of resources and activities can be a competitive advantage (Herman et al, 2018. However, MSMEs have challenges and obstacles in managing their resources. MSMEs in their development have various limitations, such as the lack of ability to adapt to the environment, must have the ability to anticipate business opportunities. MSMEs also have obstacles in the lack of innovation in responding to various business threats (Mustikowati & Tysari, 2014).

In business, business actors are always required to be able to innovate, increase business growth, create differentiated products and services, and the ability to reduce costs in business activities to gain a competitive advantage (Hu et al., 2019) According to (Hidayatullah et al., 2019) innovation is a means to survive in the face of an uncertain competitive environment. Innovation will increase the added value of a product and create a new product that can provide better solutions for solving problems faced by consumers. Innovation is something needed by every MSME owner in following market competition (Al-Murad, 2022).

Innovation needs to be supported by good marketing media, one of which is through digital marketing, namely online marketing media that involves the digital realm as a medium for promoting goods and services. The development of technology, especially social media and the digital world, is increasingly advanced and developing so that it influences users, especially the public. The digital world, especially related to e-commerce, always offers various product variants with shopping facilities through only one platform (Nuseira & Aljumahb, 2020). The application of marketing strategy activities through social media is called digital marketing (Yasa et al., 2020). Digital marketing is one of the technological communication media used as a channel to promote goods or services (Wang, 2020).

(Wang, 2020) explained that through digital marketing, business actors can provide information about products sold with various qualities and benefits offered. Digital marketing is part of digital communication marketing (Nuseira & Aljumahb, 2020), which can monitor and facilitate consumers in communicating, collaborating, and interacting with companies, brand products, and other consumers who have been involved in a transaction.

An important key to winning the competition lies in the company's ability to create a competitive advantage. In designing the level of competitive advantage, innovation is needed to meet market demand and market orientation in supporting marketing performance (Anwar, 2018). But in meeting the ever-changing needs of customers, companies need to make product updates or product innovations by observing the market first. To release a product innovation, companies need to have a brave attitude to take risks, always follow market developments, and see existing opportunities (Nuseira & Aljumahb, 2020).

On the other hand, for the development of innovations, MSME owners need courage and a strong determination to take risks. Companies that have a strong competitive drive will have the ability to innovate stronger than other companies (Pramuki & Kusumawati, 2021). (Sugiyarti et

al., 2018) stated that MSMEs in Indonesia are quality difficult to develop in the market because they face several internal problems, namely the difficulty of developing innovations on their products.

In MSME competition in Indonesia, MSMEs that have similar products will of course encounter competition that cannot be avoided This problem is related to how MSMEs can increase their competitive advantage when compared to similar products both from local and foreign products (Udriyah et al., 2019). MSMEs also have constraints on less-than-optimal market orientation so that marketing performance decreases (Al-Murad, 2022). Based on the description that explains the background of the research, the author is interested in conducting research on the Influence of Product Innovation on Competitive Advantage through Marketing Performance Moderated Digital Marketing in Fashion MSMEs in Surabaya.

LITERATURE REVIEW

Competitive Advantage

According to (Udriyah et al., 2019), competitive advantage is a process of creating competitive advantage value by uniting unique resources to exploit opportunities. Competitive advantage is an effort created by economists to move economic resources with low productivity levels to higher levels to produce higher values (Anwar, 2018). Competitive advantage is the process of creating different competitive advantages to generate more value from a product or service (Al-Murad, 2022). Competitive advantage is a company strategy that has the principle of identifying and exploiting opportunities to have a competitive advantage (Yasa et al., 2020). Companies that have a strong competitive advantage will be more courageous to take risks, and not just stick to past strategies (Anwar, 2018).

Product Innovation

Innovation is a major function in the entrepreneurial process. According to (Udriyah et al., 2019), innovation is a new product, service, idea, and perception of a person. Product innovation is a product or service that is perceived by consumers as a new product or service. In simple terms, product innovation can be interpreted as a breakthrough related to new products. Product innovation is the process of introducing new products or systems that bring economic success to companies and social success to consumers and the wider community or environment (Nuseira & Aljumahb, 2020). (Falahat et al., 2020) explained that product innovation is a transformation of knowledge into new products, processes, and services through the act of using something new.

Marketing Performance

Marketing performance is a process and activity related to marketing performance in the creation and satisfaction of customers by continuously assessing customer needs and desires (Sugiyarti et al., 2018). Marketing performance is an important factor that allows companies to understand the market and develop product and service strategies to meet customer needs and market needs (Clark, 2000). According to (Hidayatullah et al., 2019), companies with strong marketing performance, will prioritize customers (for example, likes and dislikes, satisfaction, and perception), factors that affect customers (for example, competition, economy, sociocultural, trends, and so on), (3) factors that affect the company's ability to influence and satisfy customers (for example, technology, regulation, and so on).

Digital Marketing

Digital marketing can bring the Company closer to consumers so that it can better understand its consumers. Digital marketing provides convenience for consumers to get the information they are looking for. can be done easily by browsing on the internet (Purwana et al.,

2017) Along with the advancement and development of digital technology, marketing strategies have become more modern by using internet technology called digital marketing (Nadya, 2016). Digital marketing is a marketing activity such as branding that makes media a means, and this media is web-based, such as websites, various social networks, blogs, and email (Fawaid, 2017). According to (Wang, 2020), digital marketing is a social networking site such as web-based services used by individuals, groups, and companies to build profiles with certain systems According to (Nuseira & Aljumahb, 2020), digital marketing is a social networking site such as web-based services used by individuals, groups, and companies to build profiles with certain systems. Digital media provides opportunities to interact more closely with consumers, offer various forms of communication more personally with companies, and can even interact personally and build deeper attachments.

The Effect Of Influence Of Product Innovation On Competitive Advantage

Product innovation can create a competitive advantage, as well as a means to survive in the face of an uncertain competitive environment. Innovation will increase the added value of a product and create a new product that can provide better solutions for solving problems faced by consumers. Product innovation is the process of introducing new products or systems that bring economic success to companies and social success to consumers and the wider community or environment (Nuseira & Aljumahb, 2020). Competitive advantage is a company strategy that has the principle of identifying and exploiting opportunities to have a competitive advantage (Yasa et al., 2020). In the research of (Abd Aziz & Samad, 2016), SMEs must have innovative actions to gain a market competitive advantage. This is also supported by several studies that show a positive relationship between innovation and competitive advantage (Kamboj & Rahman, 2017).
H1: Product innovation berpengaruh terhadap competitive advantage

The Effect Of Product Innovation On Marketing Performance

(Falahat et al., 2020) explained that product innovation is a transformation of knowledge into new products, processes, and services through the act of using something new. Marketing performance is an important factor that allows companies to understand the market and develop product and service strategies to meet customer needs and market needs. Product innovation by modifying products according to market demand, developing new products for the market, and managing new product development for the market has an impact on the marketing performance of SMEs (Nuseira & Aljumahb, 2020). One way to improve marketing performance is innovation. Every business must innovate more, starting by modifying products, or creating new products, which will have a positive impact on marketing performance (Waliuddin & Umar, 2022)
H2: Product innovation berpengaruh terhadap marketing performance

The Effect Of Marketing Performance On Competitive Advantage

Marketing performance is often associated with the existence of marketing management in an organization to create more sales value from products and services to customers. Competitive advantage is an effort to create is carried out by economic experts to move economic resources with low productivity levels to higher levels to produce higher value (Nuseira & Aljumahb, 2020). Companies that achieve high marketing performance, have a basis for faster improvement, which is reflected in the success of the company's new superior products, profitability, and market share Marketing performance can increase advantage in sustainable competition (Al-Murad, 2022). Marketing performance by applying efficiency, effectiveness, and good adaptation can provide added value competitively to a business. Well-managed marketing can enable companies to communicate the uniqueness and added value of

products to consumers. By recognizing the products and services of a business, and the benefits, or value that its products offer, a company can create strong differentiation in the market, differentiate itself from competitors, and build a competitive advantage.

H3: Marketing performance berpengaruh terhadap competitive advantage

The Effect Of Product Innovation On Competitive Advantage Moderated By Digital Marketing

Product innovation is the process of introducing new products or systems that bring economic success to companies and social success to consumers and the wider community or environment (Nuseira & Aljumahb, 2020). Competitive advantage is a company strategy that has the principle of identifying and exploiting opportunities to have a competitive advantage (Yasa et al., 2020). According to (Nuseira & Aljumahb, 2020), digital marketing is a social networking site such as web-based services used by individuals, groups, and companies to build profiles with certain systems.

H4: Product innovation affects competitive advantage with digital marketing as moderation

The Effect Of Marketing Performance On Competitive Advantage Moderated By Digital Marketing

Marketing performance is often associated with the existence of marketing management in an organization to create more sales value from products and services to customers. Competitive advantage is an effort to create higher value by moving economic resources with low productivity levels to higher levels (Nuseira & Aljumahb, 2020). Competitive advantage is a process of the creation of different competitive advantages to produce more value from a product or service (Al-Murad, 2022). Digital marketing is a marketing practice that uses digital distribution channels to reach consumers in a relevant, personal, and cost-effective way. Companies today are required to adjust to business conditions related to marketing activities in the digital era at a low cost and effectively.

H5: Marketing performance affects competitive advantage with digital marketing as moderation

Research Framework

Figure 1 Research Framework
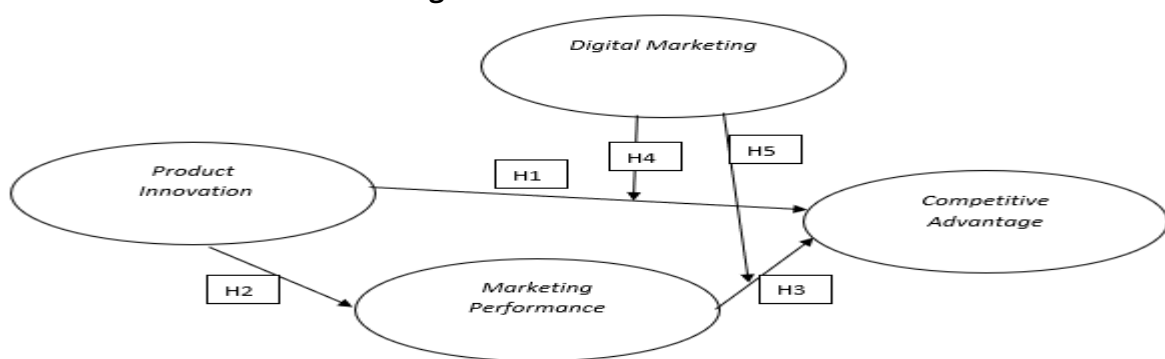
Source: Anwar (2018), Falahat et al (2020), Hidayatullah et al (2019) and Wang (2018)

METHODS

Types of Research

The type of research used is quantitative with explanatory methods. This quantitative research uses explanatory methods with causal relationships. Explanatory research aims to describe a generalization of the sample to the population or explain the relationship, difference,

or influence of a variable with other variables, and also examine causal relationships (Bungin, 2014)

Population And Sample

The population is the owner of Fashion MSMEs who use social media for marketing domiciled in Surabaya, while the sample determination with the Slovin formula is as follows:

$$n = \frac{N}{1 + Ne^2}$$

Information:
n = N / (1 + Ne^2)
n = Number of samples
N = Total population
e = Error tolerance limit
n = 2550/ (1 plus 2550 (0,2) ^2) = 96 Response

The sample used in this study was 128 respondents. Sampling in this study is purposive sampling with the criteria of MSME owners of fashion products in Surabaya. The next criterion is that the business owner has an age over 17 years old and has a business of at least 1 year.

Data Collection Methods And Procedures

The collection will be carried out through the survey method, namely by distributing questionnaires. The questionnaire given is a closed question with answer choices that can be chosen by respondents. After that, the questionnaire is given to a predetermined research sample to be filled out and then returned to the researcher according to the specified time. The type of data mainly comes from the distribution of questionnaires of respondents who own Fashion MSMEs in Surabaya and the measurement scale with the Likert scale.

Data Analysis Techniques

This study uses a model of causality or relationships to test the hypotheses proposed. The approach used is SEM (Structural Equation Modeling) using a path diagram that allows to inclusion of all observed variables according to the theoretical model he built. Structural Equation Modeling (SEM) is a multivariate technique that considers and estimates linear and/or causal relationships between multiple exogenous (independent) and endogenous (dependent) constructs through simultaneous processes, as well as multiple equation estimations. SEM combines aspects of multiple regression and factor analysis to estimate simultaneously interconnected sequences.

PLS analysis has 2 models, namely the outer model and the inner model. The outer model is a measurement model to assess the validity and reliability of the model, through the process of iterating algorithms, and measurement model parameters (convergent validity, discriminant validity, composite reliability, and Cronbach's alpha). While the inner model is a structural model to predict causality relationships between latent variables, through the bootstrapping process, as well as T-statistical test parameters (Abdullah, 2009).

RESULTS

Profile Respondent

The results showed that the characteristics of respondents of fashion MSME actors in Surabaya by age are:

Table 1 Respondent Profile Age

Age	Frequency	Percent	Valid Percent
20-24 years	55	42.9	42.9
25-29 years	50	39	39
> 30 years	23	18.1	18.1
Total	128	100.0	100.0

Source: Attachments

Table 1 shows that respondents in this study were 55 respondents aged 20-24 years (42.9%), 50 respondents aged 25-29 years (39%), and 23 respondents aged > 30 years (18.1%). Gender can be seen in the following table:

Table 2 Sex Respondent Profile

Gender	Frequency	Percent	Valid Percent
Man	69	53.9	53.9
Woman	59	46.1	46.1
Total	128	100.0	100.0

Source: Attachments

Table 2 shows that all respondents in the study as respondents had 69 male respondents (53.9%) and female as many as 59 respondents (46.1%). While the education of respondents can be seen as follows:

Table 3 Respondent Profile Education

Education	Frequency	Percent	Valid Percent
Pascasarjana	12	9.4	9.4
Bachelor	95	74.2	74.2
SMA/SMK	19	14.8	14.8
SMP	2	1.6	1.6
Total	128	100.0	100.0

Source: Attachments

Table 3 shows that respondents in this study had postgraduate education as many as 12 respondents (9.4%), as many as 95 respondents (74.2%), high school / vocational education as many as 19 respondents (14.8%), and junior high school education as many as 2 respondents (1.6%). Then the length of business is as follows:

Table 4 View Of Respondents' Length Of Time In Business

Length of Business	Frequency	Percent	Valid Percent
1-<2 years old	31	24.2	24.2
2-5 years	88	68.8	68.8
> 5 years	9	7.0	7.0
Total	128	100.0	100.0

Source: Attachments

Table 4 shows that respondents in this study had a business for 1-<2 years as many as 31 respondents (24.2%), a business for 3-5 years as many as 88 respondents (68.8%), and a business for > 5 years as many as 9 respondents (7%). Furthermore, the social media options are as follows:

Table 5 Respondent Profile Based On Social Media Choices

Social Media	Frequency	Percent	Valid Percent
Instagram	50	39	39
Facebook	2	1.5	1.5
Tiktok	70	54.6	54.6
Whatsapp	4	3.4	3.4
Twitter	2	1.5	1.5
Total	128	100.0	100.0

Source: Attachments

Table 5 shows that respondents in this study used Instagram social media as a promotional medium as many as 50 respondents (39%), Facebook social media as a promotional medium as many as 2 respondents (1.5%), Tiktok social media as a promotional medium as many as 70 respondents (54.6%), Whatsapp social media as a promotional medium as many as 4 respondents (3.4%) and Twitter social media as a promotional medium as many as 2 respondents (1.5%).

Table 6 Outer Loading Validity Test

Variable	Indicator	Loading Factor	Information
Competitive Advantage	CA1	0.713	Valid
	CA2	0.767	Valid
	CA3	0.845	Valid
	CA4	0.882	Valid
	CA5	0.815	Valid
	CA6	0.865	Valid
	CA7	0.750	Valid
	CA8	0.573	Valid
Digital Marketing	DM1	0.755	Valid
	DM2	0.763	Valid
	DM3	0.734	Valid
	DM4	0.745	Valid
	DM5	0.809	Valid
Marketing Performance	MP1	0.709	Valid
	MP2	0.719	Valid
	MP3	0.782	Valid
	MP4	0.725	Valid
	MP5	0.681	Valid
	MP6	0.808	Valid
	MP7	0.798	Valid
Product Innovation	PI1	0.900	Valid
	PI2	0.886	Valid
	PI3	0.892	Valid

Source: Attachments

Table 6 shows that the loading value of each indicator for each variable, the external loading factor value is greater than so that the indicator can be declared valid as a latent variable, meaning that the indicator is under the research topic. Then the results of discriminant validity or cross loading can be seen in the following table:

Table 7 Uji Cross Loading

	X Product Innovation	Y Competitive Advantage	Z Digital Marketing	Z Marketing Performance
CA1	0.694	0.713	0.538	0.574
CA2	0.522	0.767	0.512	0.533
CA3	0.629	0.845	0.633	0.638
CA4	0.696	0.882	0.745	0.676
CA5	0.507	0.815	0.693	0.622
CA6	0.556	0.865	0.672	0.653
CA7	0.507	0.750	0.587	0.504
CA8	0.369	0.573	0.402	0.551
DM1	0.472	0.534	0.755	0.516
DM2	0.466	0.610	0.763	0.649
DM3	0.389	0.587	0.734	0.647
DM4	0.736	0.587	0.745	0.637
DM5	0.613	0.624	0.809	0.618
MP1	0.315	0.486	0.518	0.709
MP2	0.345	0.430	0.470	0.719
MP3	0.445	0.543	0.598	0.782
MP4	0.672	0.667	0.705	0.725
MP5	0.511	0.535	0.652	0.681
MP6	0.479	0.685	0.646	0.808
MP7	0.461	0.549	0.553	0.798
PI1	0.900	0.662	0.668	0.595
PI2	0.886	0.631	0.644	0.558
PI3	0.892	0.652	0.576	0.562

Source: Attachments

Table 7 found that the construct value of each indicator variable is greater than that of other constructs so that the data can be passed on for further testing. The next test is the Average Variance Extracted ($\sqrt{}$) value. If the AVE value > 0.5 then the result is considered valid, as follows:

Table 8 Uji Validitas Average Variance Extracted (AVE)

	Average Variance Extracted (AVE)
X Product Innovation	0.797
X-ZDM-Y	1.000
Y Competitive Advantage	0.611
Z Digital Marketing	0.580
Z Marketing Performance	0.558
Z-ZDM-Y	1.000

Source: Attachments

The results of the Average Variance Extracted (AVE) value in Table 8 of each variable have a value above 0.5 so all variables are considered valid. Furthermore, the results of the composite reliability value are as follows:

Table 9 Nilai Composite Relaibility

	Composite Reliability
X Product Innovation	0.922
X-ZDM-Y	1.000
Y Competitive Advantage	0.925
Z Digital Marketing	0.873
Z Marketing Performance	0.898
Z-ZDM-Y	1.000

Source: Attachments

Table 9 shows the results of composite reliability above 0.6 so that all variables are declared reliable. Then the results of the Cronbach alpha test are as follows:

Table 13 Status Croenbach alpha

	Cronbach's Alpha
X Product Innovation	0.873
X-ZDM-Y	1.000
Y Competitive Advantage	0.906
Z Digital Marketing	0.818
Z Marketing Performance	0.869
Z-ZDM-Y	1.000

Source: Attachments

Table 13 shows the results of a Cronbach alpha value of more than 0.7 so that respondents' answers are considered truthfulness and reliable accuracy.

Hypothesis Testing

The results of the hypothesis test in the form of patch coefficients can be seen in the following table:

Table 14 Path Coefficients

	Original Sample	Sample Mean	Stand. Dev.	T State.	P Values
X Product Innovation -> Y Competitive Advantage	0.291	0.286	0.094	3.080	0.002
X Product Innovation -> Z Marketing Performance	0.641	0.638	0.071	8.980	0.000
X-ZDM-Y -> Y Competitive Advantage	-0.023	-0.047	0.110	0.209	0.834
Z Marketing Performance -> Y Competitive Advantage	0.337	0.339	0.088	3.833	0.000
Z-ZDM-Y -> Y Competitive Advantage	-0.010	0.020	0.122	0.083	0.934

Source: Attachments

Based on Table 14, it can be explained the influence of exogenous variables on endogenous variables in the hypothesis explained as follows:

1. Product innovation has a significant effect on the competitive advantage of fashion MSMEs in Surabaya with a statistical value of T > 1.96 or 3.080 with a p-value of 0.002 < 0.05. The first hypothesis of the study was accepted.

2. Product innovation has a significant effect on marketing performance in fashion MSMEs in Surabaya with a statistical value of T > 1.96 or 8.980 and a p-value of 0.000 <0.05. The hypothesis of both studies is accepted.
3. Marketing performance has a significant effect on competitive advantage in fashion MSMEs in Surabaya with a statistical value of T > 1.96, which is 3.833, and a p-value of 0.000 < 0.05. The third hypothesis of the study was accepted.
4. Product innovation has no significant effect on competitive advantage moderated by digital marketing in fashion MSMEs in Surabaya with a statistical value of T < 1.96, or 0.209 with a p-value of 0.834 > 0.05. The fourth hypothesis of the study was rejected.
5. Marketing performance does not have a significant effect on the competitive advantage moderated by digital marketing in fashion MSMEs in Surabaya with a statistical value of T < 1.96, or 0.083 with a p-value of 0.934 > 0.05. The fifth hypothesis of the study was rejected.

DISCUSSION

The first hypothesis resulted in research that product innovation has a significant effect on competitive advantage in fashion MSME players in Surabaya with a statistical value of T > 1.96, or 3.080 with a p-value of 0.002 < 0.05. The first hypothesis of the study was accepted. Innovation will increase the added value of a product and create a new product that can provide better solutions for solving problems faced by consumers.

Product innovation is the process of introducing new products or systems that bring economic success to companies and social success to consumers and the wider community or environment (Nuseira & Aljumahb, 2020). Competitive advantage is a company strategy that has the principle of identifying and exploiting opportunities to have a competitive advantage (Yasa et al., 2020). The results showed that MSME players always try to modify fashion products according to market demand, but in field conditions fashion product innovation is still difficult, namely developing new fashion products for the market. In general, respondents of fashion MSME players always carry out innovative products to be accepted by the market. However, the innovations made by Product Panda did not provide MSME advantages compared to its competitors.

The second hypothesis shows that Product innovation has a significant effect on marketing performance in fashion MSMEs in Surabaya with a statistical value of T > 1.96 or 8.980 and a p-value of 0.000 <0.05. The hypothesis of both studies is accepted. Product innovation is the process of introducing new products or systems that bring economic success to companies and social success to consumers and the wider community or environment (Nuseira & Aljumahb, 2020). Marketing performance is an important factor that allows companies to understand the market and develop product and service strategies to meet customer needs and market needs. Companies that want to achieve high marketing performance, must have the ability to adapt their products to consumer needs. As products can be innovated following market needs, the resulting marketing performance will increase.

The third hypothesis shows that Marketing performance has a significant competitive advantage on fashion MSMEs in Surabaya with a statistical value of T > 1.96, which is 3.833, and a p-value of 0.000 < 0.05. The third hypothesis of the study was accepted. Marketing performance is often associated with the existence of marketing management in an organization to create more sales value from products and services to customers. Marketing strategies can provide a good product position in the eyes of consumers. Fashion MSMEs can adapt to market trends so that there are fashion business regulatory interventions that support MSME marketing activities. Consumers not only have awareness of products from MSMEs but also have the intention to purchase products. This further supports the competitive advantage of a business in the market.

The fourth hypothesis shows that product innovation does not have a significant effect on the competitive advantage moderated by digital marketing in fashion MSME players in Surabaya

with a statistical value of T < 1.96, or 0.209 with a p-value of 0.834 > 0.05. The fourth hypothesis of the study was rejected. Product innovation is the process of introducing new products or systems that bring economic success to companies and social success to consumers and the wider community or environment (Nuseira & Aljumahb, 2020).

Product innovation is done by modifying products according to market demand, developing new products for the market, and managing the development of new products for the market. Innovation is carried out to want to have an impact on the value of competitive advantages owned by SMEs. In its activities, MSMEs are supported by marketing practices in the form of digital marketing using digital distribution channels to reach consumers. However, the marketing carried out does not have an impact on the competitive advantage that wants to be built through product innovation. Marketing activities are not only carried out digitally, but non-digital marketing is still important to provide product introduction to consumers.

The fifth hypothesis shows that marketing performance does not have a significant effect on the competitive advantage moderated by digital marketing in fashion MSMEs in Surabaya with a statistical value of T < 1.96, or 0.083 with a p-value of 0.934 > 0.05. The fifth hypothesis of the study was rejected. Marketing performance is often associated with the existence of marketing management in an organization to create more sales value from products and services to customers. Competitive advantage is an effort to create is carried out by economic experts to move economic resources with low productivity levels to higher levels to produce higher value (Nuseira & Aljumahb, 2020). The marketing strategy used today is still a combination of using digital and conventional means. Digital marketing is not the only means to support business marketing activities until an advantage in competition is achieved.

CONCLUSION

The conclusion of the research results is that product innovation has a significant effect on competitive advantage and marketing performance in fashion MSME players in Surabaya. Marketing performance has a significant effect on the competitive advantage of fashion MSME players in Surabaya, on the other hand, product innovation and marketing performance do not have a significant effect on the competitive advantage moderated by digital marketing for these MSME players.

The results of the study explained that fashion MSMEs show that the marketing performance of fashion players still needs development and improvement, fashion MSMEs can adapt to market trends so that there are fashion business regulatory interventions that support MSME marketing activities. MSME players always try to modify fashion products according to market demand, but in field conditions fashion product innovation is still difficult, namely developing new fashion products for the market.

SUGGESTION

Therefore, the research suggestion is that fashion MSME players in Surabaya need to consider important aspects to increase competitive advantage through product innovation and marketing performance development. In terms of marketing performance, it is necessary to collaborate with the main distributor directly, then in terms of product innovation, it is necessary to visit various exhibitions of MSME business products, and for digital marketing, it is necessary to collaborate with influencers who can help build awareness user. SMEs should pay attention to various conveniences in searching, paying, and tracking transactions made. Further research can be developed on a wider budget within the East Java region, as well as carried out in the wider MSME sector. This research can be added to the study of customer orientation, to conduct a study of customer orientation in the fashion sector and how its role in strengthening the competitive advantage of SMEs.

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