The fashion industry as one of the sub-sectors of the creative economy shows continuous growth each year. The growth in fashion industry is not always give positive impact for SMEs as competition rapidly increasing in this industry. SMEs need to review their positions in the industry and formulate business strategy to achieve competitive advantages. This research aims to study business strategy formulation of Beauty Fashion Industry (BFI), an SME in fashion industry sells fashion bags for men and women. BFI had experienced some difficulties due to competitions and had not achieved significant growth. Thus, the research question in this study is “How is the formulation of business strategy to gain competitive advantage in BFI?” Qualitative approach using case study is used to gain thorough and detailed information. Data collection method is using semi-structured interviews and documentation. SWOT analysis is used to determine BFI’s strategic position incorporating value chain analysis to analyze the internal factors, while five forces analysis is used to conduct external factors analysis. The conclusion of this study shows that the SWOT of BFI refers to the application of WO strategy. Competitive advantage can be gained by implementing the steps of the strategy that focuses on repairing the internal weakness of BFI. It is also essential to prioritize marketing improvement, especially using technology. These improvements aim to prepare BFI to seize broader market opportunities and the larger market share of the fashion industry.

Keywords: Competitive Advantage, SWOT, Value Chain, Porter’s Five-Forces

Introduction
Creative economy is one of the sectors in the Indonesian economy that continues to grow. There are 15 subsectors of Indonesia creative economy and Fashion is the 2nd largest contributing subsector (Puskompublik, 2014). Data of the year 2010 to 2013 indicated that the export of fashion products contributes an average of 64.34% of the total of the creative economy sector; and the value of fashion products household consumption reached 242.835 billion rupiahs (Kemenparekraf, 2014). Moreover, fashion subsector growth in the 2013 had reached 6.4%, which is higher than the overall growth of the creative economy sector, which is only 5.76%, and also higher than the Indonesia national economic growth (Puskompublik, 2014).

Huge business potential in the field of fashion gives micro-to macro scale of businesses the opportunity to enter the fashion industry. This condition had made the fashion industry become very competitive. Therefore, businesses in the fashion industry should have competitive advantage, differentiated advantage that is not owned by competitors, such as performing better or