

Value Proposition Design Testing for Developing Fashion Business

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ABSTRACT

In 2019, 90% of start-ups fail with 42% of businesses failing due to a lack of demand for their product or service. The absence of an appealing value proposition that would compel prospective buyers to take a purchase action was the reason for a new business or start-up's failure. Due to the massive fierce competition, a company should have unique characteristics upon its value offered for its existence to be accepted and perceived by the market. As a new business, Olwité, a women's clothing from Indonesia, has not articulated a value proposition because there is no evidence that the jobs, pains, and gains stated actually matter to the customer; additionally, there is no evidence that the products add value to the customer. Thus, value proposition hypotheses were developed. To test the hypothesis, three stages of testing were conducted based on the hypotheses: Interest Validation, Preference Validation, and Willingness to pay Validation through Facebook Ads tracking actions. The result of the test is value related sustainability of the brand becomes the most compelling value proposition with the highest willingness to pay.

Keywords: Clothing Brand, New Business, Start-up, Value Proposition.

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I. INTRODUCTION

A. Background

The expansion of online clothing shopping, which is a positive sign, enhances competitiveness. Selling and branding fashion brands online demand a distinct set of strategies and tools from selling and branding any other commodity (Siddiqui *et al.*, 2003). This might be because fashion brands operate on blending emotion, image, and perception (Rowley, 2009). As a result, it is essential to consider the customer value perceptions that lead to the entire of online fashion brands being perceived as irreplaceable among shoppers (Dlodlo, 2014). Customers' product choices and future non-store brand repurchase intentions are heavily influenced by value proposition. Thus, value judgment generates consumer preference, which increases behavioral intention to engage in various shopping processes (Cronin *et al.*, 2000; Overby & Lee, 2006). Value propositions are statements about a company's proposed offering (Kowalkowski, 2011). In addition, value proposition is a critical component of business model success (Osterwalder *et al.*, 2014).

A "good" business model generates compelling value propositions for customers, establishes advantageous cost and risk structures, and enables significant value capture by businesses that generate and deliver the products and services (Teece, 2010). Developing and validating a value proposition that your target market is willing to pay for and that your product is capable of delivering is critical to a startup's success. A validated value proposition is critical for revenue scaling in the startup (Salame, 2014). In 2019, 90% of startups fail, 21.5 % in the first year, 30% in the second

year, 50% in the fifth year, and 70% in the tenth year. Inadequate research has become a leading cause of startup failure, with 42% of businesses failing due to a lack of demand for their product or service. Entrepreneurs do not devote sufficient time to market research in order to identify a market gap that they can fill (Bryant, 2020).

New companies that want to scale quickly and easily must acquire value proposition development capabilities that go above and beyond what is required of companies with moderate growth goals (Klinger & Daun, 2006). A clearly stated value proposition can help a business connect with its customers, laying the groundwork for successful co-creation (Chandler & Lusch, 2015).

Given the critical nature of value propositions in business, it is important for a company, particularly a new one, to develop a customer-centric value proposition and validate it against its target customers in order to compete in the market and ensure that the value proposition offered to customers matters and is perceived by the market.

B. Business Overview and Its Challenges

Olwité, a women's clothing company from Indonesia specializing in white clothing, has recently launched a brand with a total of five product articles. Olwité's target market is women (workers, college students, housewives, and womenpreneurs) who value simplicity, environmentally conscious and have a variety of occasions. Nevertheless, Olwité is currently in the customer discovery phase and has not yet reached the customer validation phase.

Olwité was founded on several values, including simplicity, effortlessness, longlastness, and sustainability.

The simplicity is reflected in the white color's simplicity and the timeless clothing design, and the effortlessness is reflected in the ease of mixing and matching, as all clothing features timeless designs in formal and informal styles that can be worn for a variety of occasions. The value of longlastness and sustainability is reflected in the fabric used, which is composed of environmentally friendly materials, ensuring that the garments will last for many years.

Olwité attempts to display all values at the start of the launch without knowing which value is the primary priority for consumers so that Olwité can focus more on that value. Attempting to address all pains and gains wastes resources on non-value-adding value propositions (Buana, 2021).

The most critical requirement for a successful value proposition is that what a business offers aligns with what customers want. The process of developing value propositions around products and services that address customer-valued jobs, pains, and gains is called searching for Fit. Achieving fit is crucial to value proposition design; it is critical to ascertain whether the company is addressing what matters to customers (Osterwalder *et al.*, 2014). To rapidly scale company value, a new company must develop value propositions for various parties, especially customers (Bailetti & Tanev, 2020). Meanwhile, Olwité has not articulated a value proposition because there is no evidence that the products add value to the customer and get traction in the market (Product-Market Fit). Thus, in order to avoid the failure of a new business, to connect with customers, and to compete in the market, Olwité aims to validate the initial value proposition by testing the fit of the product and services with the customer's jobs, pains, and gains.

C. Research Objective

The objective of this research is to validate Olwité's value proposition by identifying whether the company has achieved the Product-Market Fit.

II. LITERATURE REVIEW

A. Value Proposition

The framework of value propositions is a collection of products and services that offer value to a specific niche market (Osterwalder *et al.*, 2014). The perspectives of a company's customers are reflected by value propositions. They describe why customers chose to engage with businesses and what they expected from each. In a competitive marketplace, value propositions can assist in determining why a customer would select one company over another (Anonymous, 2010).

B. Value Proposition Testing

Value Proposition Testing is the act of determining how much your customers care about your value offer while doing it as rapidly and cheaply as feasible without fully adopting the value proposition. The process of testing minimizes ambiguity and brings you closer to transforming your business concept into a profitable venture. Track your progress toward this objective by recording the actions you've taken and the outcomes you've achieved (Osterwalder *et al.*, 2014).

C. Product-Market Fit

Product-market fit demonstrates that your value proposition is appealing to customers. Searching for Fit is the process of building value propositions for products and services that solve customer-valued vocations, pains, and benefits. The most fundamental requirement for a successful value proposition is congruence between what a company offers and what customers desire (Osterwalder *et al.*, 2014).

Product-market fit exists when there is proof that the company's products and services, pain relievers, and gain creators are providing actual value for consumers and gaining market traction. During this step, the company attempts to validate or refute the underlying assumptions of the value proposition (Osterwalder *et al.*, 2014).

III. METHODOLOGY

A. Research Framework

At the product market fit stage, the value proposition was validated using the Osterwalder framework, which consists of the three stages depicted in Fig. 1 namely interest validation, preference validation, and willingness to pay validation.

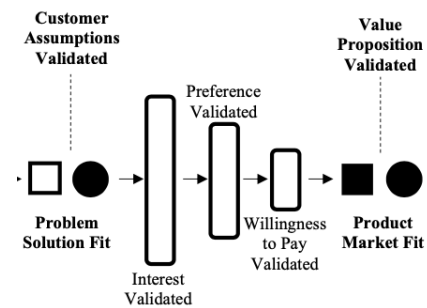


Fig. 1. Value Proposition Testing Frawork.

B. Value Proposition Hypotheses

The author proposes three value proposition hypotheses to be tested in this research based on validated consumer assumptions. The hypothesis of the value proposition is shown in Table I.

TABLE I: VALUE PROPOSITION HYPOTHESES

No	Hypothesis	Value Proposition
1	It is important for people to take part in environmental protection by doing small things	Sustainability (Eco-conscious Clothing Brand)
2	People require neutral and white-colored clothing	Simplicity (All-white Clothing Brand)

Two of the value proposition hypotheses is briefly stated below:

1. The value proposition hypothesis is associated with sustainability, the value proposition on which the test will focus is the benefit of an eco-friendly fabric made of Tencel fiber such as long-lasting softness, gentle on skin, enhanced breathability, thermal regulation, botanic origin, and biodegradable. This value is based on the

premise that people can look stylish while also contributing to environmental protection.

- The value proposition hypothesis is associated with simplicity, which enables the person to be effortless, save time and money, and ultimately free up space for more important things. The value proposition hypothesis on which the test will focus demonstrates that the brand sells white clothing and reveals the benefits of white clothing, including its effortlessness while remaining suitable for use and its potential to make the wearer more shinier and glamorous.

C. Research Method

The hypotheses were tested utilizing Facebook Ads tracking actions in order to generate a report adequate for data analysis. This method is known as indirect observation of customers, in which the company observes customers in a real life context unaffected by interactions with customers. The company can track the amount of customers who did the action you prompted and collect quantifiable data (Osterwalder *et al.*, 2014). To test customers' interests, preferences, and willingness to pay of Olwité brand will be ascertained through the following analysis of their interactions with advertisements as explained below:

1) Interest Validation

Interest validation is the process of looking for evidence that potential customers are interested in the ideas we're proposing, not only verbally, but also by taking specific actions (Osterwalder *et al.*, 2014). To conduct an interest validation test, the author utilized Facebook Ads with the objective of enhancing awareness. Our value proposition is considered interesting to all audiences who have come throughout our idea if they watch at least 75% of our creative video advertisement. The indicator of interest validation is Video Plays up to 75% View Rate. The video view rate is calculated by dividing the total number of video plays by the total number of impressions (Briges, 2017). Thus, the calculation for Video Plays up to 75% View Rate is video plays up to 75% views divided by total video play.

2) Preference Validation

When compared to interest validation, preference validation goes one step further in that it validates the concept of which value proposition customers found to be the most appealing (Osterwalder *et al.*, 2014). CTA (Call to Action) is an indicator that further people are more interested in our idea. Customers are directed to e-Commerce page via the CTA button. The indicator of preference validation is CTR (Link Click-Through Rate). The click-through rate of an advertisement is calculated by dividing the number of times the ad is clicked (Click CTA button) by the number of times the ad is "served," or displayed (also called impressions) (Farris *et al.*, 2010). To conduct the preference validation test, the author utilized Facebook Ads, with the objective of generating traffic from individuals who view at least 75% of our creative video advertisement in the interest validation test section. This serves as a reminder to customers who are already aware of the brand.

3) Willingness to Pay Validation

At this step, potential customers are sufficiently interested in our value proposition to make a purchase from us (Osterwalder *et al.*, 2014). Individuals who complete a call-to-action (CTA) and complete a transaction on e-Commerce are considered to have proved a willingness to pay. The indicator of willingness to pay validation is conversion rate. Conversion rate is calculated by dividing the total number of users who 'convert' by the total size of the audience (e.g., by clicking on an advertisement) and converting the resulting number to a percentage (N.N, 2022).

IV. FINDING AND ANALYSIS

A. Interest Validation

The result of the interest validation test is shown in Table II. The video views up to 75% metric only counts viewers who have viewed 75% of the video's duration. The author assumes that if the audience watches the video for at least 75% of its total duration, the video's primary message will have been conveyed to them. The number of times a video has been played is referred to as video play, this is calculated for each impression of a video and does not include replays. Meanwhile, the term "impression" refers to the total number of the times the ads were on screen.

TABLE II: INTEREST VALIDATION TEST RESULT

Metrics	VP 1	VP 2
Impression	21.148	18.150
Total Video Play	21.027	18.090
View-Through Rate	99.4%	99.6%
Video Plays up to 75%	18.782	16.770
Video Plays up to 75% View Rate	89.3%	92.7%

Note: VP represents value proposition.

The total video views up to 75 % for value proposition 1 worth 18,782 is greater than the value proposition 2 worth 16,770, but when divided by total video play, value proposition 2 produces a higher video plays up to 75% view rate results, namely 92.7%, which is greater than the Video Plays' up to 75 % rate for value proposition 1 of 89.3%. In this stage, it can be concluded that the Olwité audience is more interested in value proposition 2 related to simplicity, which received the highest interest validation test results, than in value proposition 1 related to sustainability.

B. Preference Validation

Beyond interest validation, the value proposition will be evaluated based on the number of audiences who click the CTA button at this stage. The author used Facebook Ads for this test, with the goal of generating traffic with custom audience settings on Facebook Ads that included individuals who viewed at least 75% of our creative video advertisement in the interest validation test section. This serves as a reminder to customers who are already aware of the brand. The result of the interest validation test is shown in Table III.

The advertisements with the most Click to Action (CTA) are for value proposition 1 related to sustainability, totalling 57 CTA. Meanwhile, value proposition 2 has fewer clicks to

action (CTA), with 38 clicks. Furthermore, the CTR for value proposition 1 is higher at 0.93 %, a difference of 0.23 % from value proposition 2, which has a CTR of 0.73 %.

TABLE III: PREFERENCE VALIDATION TEST RESULT

Metrics	VP 1	VP 2
Impression	6.121	5.203
Click CTA-button	57	38
CTR (Link Click-Through Rate)	0.93%	0.73%

C. Willingness to Pay Validation

The number of people who successfully make a purchase is assumed in calculating willingness to pay validation. This stage demonstrates that audiences are interested in the value proposition and are willing to spend money on it. The result of the interest validation test is shown in Table IV.

TABLE IV: WILLINGNESS TO PAY VALIDATION TEST RESULT

Metrics	VP 1	VP 2
Click CTA-button	57	38
Sales	15	9
Conversion Rate	26.3%	23.7%

The advertisements with value proposition 1 generated sales of 15 clothes, while advertisements with value proposition 2 generated sales of 13 clothes, indicating that value propositions 1 and 2 are both appealing to consumers. Furthermore, in terms of purchase rate, value proposition 1 has a higher percentage of 26.3 % compared to value proposition 2's percentage of 23.7 %. Conversion/purchase rate is a percentage of customers who visit a store and make a purchase. In this case the customer who visits Olwité's e-Commerce account as a result of a Facebook advertisement. Based on the result, it is possible to conclude that value proposition 1 is related to sustainability, which leads to a higher willingness to pay.

V. CONCLUSION

The two hypotheses were tested in order to generate a report suitable for data analysis is used to analyse if the company has achieved Product-Market Fit, hence validating the company's value proposition. The test utilizes indirect observation to assess whether or not customers mean what they say, provide the proof that their jobs, pains, and benefits are real, and are truly interested in the company's offerings. The following are the results of testing the value proposition hypothesis:

1. Value related sustainability becomes the most compelling value proposition due to the fact that it is the value with the highest willingness to pay and also the value with the highest preference among customers.
2. Value related simplicity is the most interesting value proposition because it has the highest level of interest, but it has a lower value in terms of preference and willingness to pay when compared to value proposition

Both the first and second value propositions generate sales for Olwité. Nevertheless, because value proposition 1 results in the highest conversion rate, Olwité must consider the appropriate value proposition delivery action in relation to sustainability value. The value proposition must be

successfully communicated to the customer. A compelling value offer is pointless if the customer does not perceive the value being delivered. Assuming that customer segments will get value propositions through the channels indicated in the business model canvas, the author will optimize the use of channel. The vhnannels area of the Business Model Canvas depicts how a company engages with and reaches out to its customer segments in order to deliver the value proposition.

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