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Research Article

Value Proposition Testing for Developing Business (Case Study Alca Active Care)

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Abstract: *In this era of globalization, business is no longer constrained by geography but is influenced by rapidly growing technology and communication. This trend has grown significantly with the emergence of the COVID-19 pandemic in 2020, forcing industries to adapt to these challenges. These changes have also extended to the global beauty industry, demanding that players in this industry have a unique value proposition to capture consumer attention. This research was conducted on Alca Active Care, a skincare brand that has been established since 2018. Using the Eisenhower matrix, this research identified the main problem faced by Alca Active Care, which is the importance of aligning customer expectations with the delivered value. The research found that the current value proposition held by Alca Active Care is not effective in increasing sales between 2021 and 2023. The conceptual framework of this research uses Alex Osterwalder's "Three Kinds of Fit" to test the validity of Alca Active Care's product-market fit with the value proposition canvas. The research employed both qualitative (Focus Group Discussion) and quantitative (4-point Likert survey) approaches to understand the value proposition and identify market trends. The results yielded two new value propositions, namely Multi-functionality and Intuitive Information, which were tested through three stages of validation: interest, preference, and willingness to pay through Facebook ad tracking. The research results indicate that multifunctional skincare products have the highest willingness to pay. In contrast, intuitive information in content regarding product usage and ingredients has the highest interest and preference. Therefore, Alca Active Care's marketing promotion strategy should highlight this multi-functionality aspect to boost sales.*

Keywords: *Skincare, Value Proposition, Problem-Solution Fit, Product-Market Fit.*

I. INTRODUCTION

A) Background

In the era of globalization, business is no longer limited by geographical boundaries. The rapid development of technology and communications has enabled businesses to operate globally, especially since the COVID-19 pandemic in 2020. Many industries are experiencing difficulties, forcing them to implement Work From Home, optimize budgets, and reduce the number of employees [1]. In Indonesia, the positive impact of globalization can be seen in the increase in online shopping, especially e-commerce. Indonesia is in the top ten countries with the largest e-commerce growth, increasing by 78%, surpassing Mexico's growth of 59% [2]. These changes force companies to develop online business strategies.

The beauty industry, especially skin care products, is also experiencing significant changes. The pandemic forced the industry to innovate in response to changing consumer behavior. The global beauty market is divided into five main categories: skin care, hair care, cosmetics, perfume, and personal care, with two main segments: premium (28% of total sales) and mass (72%) [3].

Since the beginning of this century, the skin care industry has been in focus, with the four BRIC countries (Brazil, Russia, India, and China) being the main players. The BRIC industry has made a significant contribution to the global beauty market, covering around 25% of the total industry in 2015 [4].

Revenue from the beauty and personal care market in Indonesia will reach $7.23 billion in 2022, with an annual growth rate of approximately 5.81% between 2022 and 2027. The largest segment is personal care, followed by skincare and cosmetics [5].

The Indonesian skin care industry continues to innovate to face changes before, during and after the pandemic. In 2021, the cosmetics industry will grow by 9.61% (Hasibuan, 2022). The number of cosmetic companies increased from 819 in 2021 to 913 in 2022 [6].

The concept of value proposition is important in business, especially to differentiate brands in the global market.

Skincare brands must continue to innovate and offer unique value propositions to win in the competitive market [7].

B) Business Overview and Its Challenge

Alca Active Care is a skincare brand that was originally founded by CV Alca Global in 2018. The Alca Active Care brand was established in response to consumers who were facing acne issues on their faces. The word ‘Active’ in the brand’s name is related to the use of active ingredients in its flagship product, Red Gel Inflamed. Additionally, ‘Active’ also refers to the brand’s primary target market, which is active and energetic women. In early 2021, Alca Active Care underwent a structural change, and the brand is now managed by PT Alca Prima Innovatika. However, in mid-2021, the brand experienced a significant decline in sales numbers until 2023. This was triggered by the intense competition in the skincare industry with the emergence of new brands in the Indonesian skincare market [7].

Using the Eisenhower matrix, this research identifies the main issue faced by Alca Active Care, which is the importance of aligning customer expectations with the conveyed value. Alca Active Care’s value proposition towards its target customers seems to lack a clear focus. This creates an urgent need for refining the value proposition to provide a more specific image of the brand. This refinement is necessary so that customers can see Alca Active Care as a brand with distinct characteristics and advantages. By clarifying the value proposition, it is hoped that customers can more easily identify Alca Active Care as a specific solution to their unique needs or problems.

C) Research Objective

The purpose of this research is to validate the value proposition held by Alca Active Care to ensure its relevance to the trends in the skincare industry by identifying Product-Market Fit.

II. LITERATURE REVIEW

A) Value Proposition

A value proposition is a tool used to describe and understand the value offered by a product or service to customers. By utilizing a value proposition, companies can design more effective business strategies, ensure that their products or services are relevant to customers, and enhance their chances of success in the market. The essence of a value proposition lies in aligning the value offered with the needs and preferences of customers [8].

B) Value Proposition Testing

Value proposition testing is the process of evaluating and validating the value proposition of a product or service. A value proposition is a statement that describes the benefits or value that a product or service will provide to customers. Testing the value proposition is done to ensure that the proposed value proposition aligns with customer needs and desires and has the potential for success in the market.

In the context of the Business Model Canvas developed by Alexander Osterwalder, value proposition testing is a crucial stage in business development. The Business Model Canvas is a tool used to design and depict a company’s business model. Value proposition testing helps ensure that the value proposition elements within the Business Model Canvas are genuinely relevant and valuable to customers [9].

C) Product Market Fit

Product-Market Fit is a crucial concept for measuring the success of a product or service in the market. Introduced by Marc Andreessen, this concept refers to the alignment of a company’s product with the needs of the market. In Alexander Osterwalder’s “Value Proposition Design,” Product-Market Fit is placed within the context of the value proposition, which reflects the alignment of a product with the needs of customers in the market.

D) Conceptual Framework

The conceptual framework in this research is based on Alexander Osterwalder’s “three kinds of fit,” which can be seen in Figure 1. The author is specifically testing for product-market fit to determine whether the company’s product is still accepted by the existing market or if there is a need for the company to add value to its offering. This approach focuses on assessing the alignment between the product and the needs and preferences of the market to ensure that it remains relevant and appealing to customers.

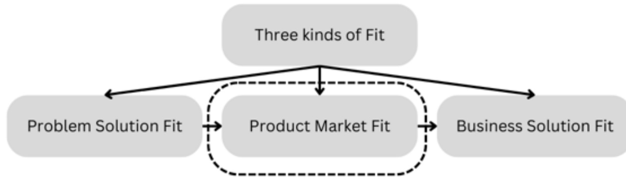

Figure 1: Three Kinds of Fit

III. RESULTS AND DISCUSSION

A) Existing Value Proposition

Focused group discussion on Alca Active Care, mapped in an empathy map, provided in-depth insights into customer perceptions. High school students and college students who participated in the discussion provided feedback on various aspects of the product and brand. High school students emphasized the need for packaging updates and more appealing marketing strategies, especially in school areas, as well as the introduction of exclusive membership cards. They also highlighted the importance of BPOM-certified products and positive reviews. On the other hand, college students expressed concerns about slow customer service responses over the weekends and proposed improvements in service and the availability of offline stores. They also suggested the creation of an affiliate program targeted at college students and appreciated safe delivery efforts as well as the popularity of products like Vitamin C serum.

The results of the discussion also informed the Alca Active Care Value Proposition Map. From the customer's perspective, there are concerns about acne and harmful ingredients, as well as trust in the brand. They feel they benefited from easy product access, halal and BPOM certification, and free delivery. Alca Active Care responded by offering relevant solutions such as free delivery for damaged products, attractive packaging, free consultations, and safe products suitable for sensitive skin. Their products are tailored for various skincare concerns, allowing customers to choose according to their specific skin needs.

B) Value Proposition Hypotheses

From the survey results conducted among skincare users in West Java, the author has obtained two value proposition hypotheses that will be tested, as shown in Table 1.

Table 1: Value Proposition Hypotheses

No	Value Proposition	Focused	Hypothesis
1	Multifunction	Products with 2 or more functions	Skincare products that offer multifunctional benefits can be a preference for some individuals.
2	Intuitive Information	Application of product details briefly and concisely	Preference for skincare products with clear and easy instructions for use can influence product selection.

The following is a brief explanation of the value proposition hypotheses:

- Value Proposition of Multifunction: The research will focus on products that have two or more functions. Therefore, the author's hypothesis is that skincare products that offer multifunctional benefits can be preferred by some individuals.
- Value Proposition of Intuitive Information: The research will focus on how a product provides complete and concise explanations to customers through marketing content. Thus, the author hypothesises that a preference for skincare products with clear and easy-to-understand usage instructions can influence product selection.

C) Interest Validation

The validation of interest is an essential process to assess the level of customer interest in various value propositions. In the scenario described, the author used Facebook ads to test two hypotheses: the first ad focused on multifunctionality, while the second emphasized intuitive information. These ads were targeted at the Alca Active Care customer segment. The effectiveness of these ads was measured based on the duration viewers watched the video ads, considering that watching up to 75% of the total duration was considered an indicator of message acceptance. The metrics used for this analysis included impressions—the number of times the ads appeared on the screen—and the number of video plays, calculated per impression without considering repetitions. Data from the interest validation, detailed in Table 2, revealed different audience responses to the two value propositions. Value Proposition 1 received more video plays up to 75% of the total duration, indicating initial interest. However, Value Proposition 2, centered on intuitive information, showed a higher engagement rate, with 2.1% of the total video plays reaching at least 75% of its length compared to 1.4% for the multifunctional product. This suggests that even though Value Proposition 1 had more initial views, the second proposition was more effective in capturing audience interest because of its focus on more engaging or relevant intuitive information that met customer needs.

Table 2: Interest Validation

Metrics	Value Proposition 1	Value Proposition 2
Impression	260.880	104.355
Total Video Play	232.050	93.809
View-Through Rate*	88,94%	89,89%
Video Plays up to 75%	3.250	2.024
Video Plays up to 75% View Rate**	1,4%	2,1%

D) Preference Validation

Validation of preferences in meta-ads can be measured through the reactions and preferences of the target audience towards the creative ads, as reflected in the Click-Through Rate (CTR) metric. The creative ads tested are the same as those used in interest validation. The CTA buttons in the creative ads direct users to a purchase link on the Shopee online marketplace platform. The results of the preference validation test in Table 3 show that Value Proposition 1, the multifunctional product, received the highest number of CTAs with 842 clicks. Although the number of CTAs for Value Proposition 2 was lower at 392 clicks, the Click-Through Rate (CTR) for Value Proposition 2 was higher at 0.375% compared to 0.32% for Value Proposition 1. This indicates that Value Proposition 2 has a higher preference even though it had fewer clicks.

Table 3: Preference Validation

Metrics	Value Proposition 1	Value Proposition 2
Impression	260.880	104.355
Click To Action	842	392
CTR (Link Click Trough Rate)*	0,32%	0,375%

Relatively low CTR percentage can indeed be influenced by factors such as ad frequency and ad freshness, which can impact click-through rates. Higher ad frequency and quicker ad turnover tend to decrease CTR, as suggested in the study by [10].

E) Willingness to Pay Validation

Willingness to pay was tested on two different products that align with their respective value propositions. In the first value proposition, the CC Glow product functions as both a facial sunscreen and foundation. Meanwhile, the second value proposition is related to the “Mid Stage Serum” product, which presents usage information visually and benefits in written form. On the Shopee marketplace platform, willingness to pay can be observed through the number of users adding the product to their shopping carts as an indication of the desire to purchase the product. Based on Table 4.9, the ad with Value Proposition 1 generated an audience that added the product to their cart 98 times, which is more than 15 times for Value Proposition 2. Additionally, the cart addition rate for Value Proposition 1 is also higher at 11.64%, while Value Proposition 2 has a lower rate at 3.83%. Therefore, it can be concluded that the willingness to pay for Value Proposition 1 is better than that for Value Proposition 2.

F) Validation Test Summary

The author has summarized three validation tests, consisting of interest validation, preference validation, and willingness to pay, for the two value propositions. In Table 4, the Validation of Value Propositions is summarized with metrics indicating that Value Proposition 1 has an 11.64% cart addition rate, signifying a high purchase intent among skincare product users. Conversely, Value Proposition 2, which focuses on intuitive product usage information, has higher metrics with a 2.1% view-through rate to 75% and a 0.375% Click-Through Rate (CTR). Based on this data, the willingness to pay for Value Proposition 1 is influenced by various factors, such as customer satisfaction with the product due to prior usage or customer habits in fulfilling their routine skincare needs. Meanwhile, Value Proposition 2, which is intuitive information, suggests that creatively crafted ads are more aligned with the goal of capturing customer attention and meeting customer preferences.

Table 4: Validation Test Summary

Metrics	Value Proposition 1	Value Proposition 2
Video Plays up to 75% View Rate [1]	1,4%	2,1%
CTR (Link Click Trough Rate)[2]	0,32%	0,375%
Add to cart rate[3]	11,64%	3,83%

IV. CONCLUSION

The research findings reveal two trending value propositions, namely multifunctional products and the provision of intuitive skincare information. Although intuitive information garnered more interest and preference validation from consumers, multifunctional products show greater potential in terms of willingness to pay, indicating promising sales opportunities. The research suggests that Alca Active Care can boost its sales by developing creative and effective marketing strategies that combine both value propositions to meet consumer needs and drive growth.

Furthermore, insights from this research have led to updated value propositions for Alca Active Care, depicted in a new model. These changes include the addition of key keywords in the customer profile canvas, such as addressing “informational errors” as a customer pain point and “simplicity of products” as a benefit. The value proposition quadrant now encompasses “simple and concise product information” and emphasizes multifunctional products in the Alca Active Care lineup. To remain competitive in the skincare market, the brand is advised to align its offerings with industry trends, optimize distribution for affordability, and commit to sustainable product innovation to keep up with technological advancements and changing consumer preferences, potentially leading the market with innovative solutions rather than just following them.

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