

## THE ROLE OF VALUE PROPOSITION IN BUSINESS MODEL CANVAS IN OURAKSEN BUSINESS IN MEDAN

Najwa Sabilla<sup>1</sup>, Cahaya Nasution<sup>2</sup>, Miftahul Jannah<sup>3</sup>, Isra Hayati<sup>4</sup>

<sup>1,2,3,4</sup>Universitas Muhammadiyah Sumatera Utara

<sup>\*1</sup>email: [najwasabillaumsu@gmail.com](mailto:najwasabillaumsu@gmail.com)

**Abstract:** This study aims to determine the role of value proposition in the business plan model canvas for the Ouraksen Medan business. This study uses a qualitative approach. This study involved three respondents who were all business owners of Ouraksen Medan. The primary data source in this study was the results of interviews. The results of the study indicate that the role of value proposition in the business plan model canvas is very helpful in the development of the Ouraksen Medan business, thus providing a competitive advantage for the business.

**Keywords:** value proposition, business model canvas, competitive advantage

### Introduction

Micro, small and medium enterprises (MSMEs) play a vital role in the Indonesian economy, especially in Medan. Medan as the largest business center in Sumatra, offers significant business opportunities to innovate and grow in several sectors. According to data collected by the Ministry of Cooperatives and MSMEs, MSMEs contribute almost 60% to Indonesia's GDP, and greatly contribute to increased working hours and local economic growth.

Medan, as the most economically significant city in North Sumatra, has a dynamic and competitive business environment that provides opportunities for MSMEs, including Ouraksen Medan. As a result, MSMEs often have difficulty in creating effective business strategies to overcome increasing challenges. One of the components of the Business Concept Canvas (BMC) is the value proposition is one of the elements of the Business Concept Canvas (BMC) concept, very important for creating a good business strategy. Ouraksen Medan, one of the MSMEs in Medan, faces challenges in describing the uniqueness of its products in a crowded market. Ouraksen Medan is a business venture engaged in the field of women's accessories that sells hijab brooches, DIY bracelets, and other accessories.

Every business in today's increasingly competitive business era must have a strong strategy to win the market and meet customer needs. Business Model Canvas (BMC) is a tool for understanding and designing strategic, popular business models that can help businesses, both by combining various components, one of which is the value proposition, which is a core component of the business model because it explains the special value offered to customers and is the main differentiator from competitors.

Customers are no longer just looking for goods and services, but also looking for recommendations, solutions, and added value that can help meet the unique needs of consumers, due to increasing digitalization and consumer behavior. In this increasingly clear context, MSMEs are known for their ability to sell high-quality products and create unique and relevant value propositions for customers. In the case of Ouraksen Medan, the problem

is how to create a value proposition that can meet the needs of the local market in a unique and attractive way.

One useful tool for analyzing a business model as a whole is the Business Model Canvas (BMC), developed by Osterwalder and Pigneur. BMC uses value propositions to associate each customer segment with various components and determine central positions such as primary activities, distribution channels, and customer relationships. According to Osterwalder, the essence of how to provide, create, and enhance value for customers is the value proposition. then a business is expected to do more than just sell high-quality goods. this business is also expected to be able to create unique and relevant value for customers.

However, it is often found that many small and medium enterprises (SMEs), including Ouraksen, face obstacles in formulating effective value propositions. Some of the problems that arise include a lack of understanding of specific customer needs, difficulty in creating strong differentiation from competitors, and less than optimal integration of value propositions into other elements of the Business Model Canvas. This lack of clarity in business offerings can result in low customer appeal, decreased loyalty levels, and decreased competitiveness in the market.

Misalignment of value proposition with market can also affect the efficiency of operations in a business. In production, distribution or marketing, resources can cause the value proposition to not match customer expectations. This situation is increasingly complex because customer needs continue to change along with market trends and technological advances.

In this context, the concept of Ouraksen Medan serves as a foundation for developing competitiveness. This value proposition drives Ouraksen Medan to provide solutions that meet the needs of the local Medan market and develop values that differentiate it from competitors. The Role of Value Proposition in Business Model According to research by Johnson, business success is not only based on the goods or services offered; it also depends on some strong ideas that can provide relevant and useful feedback to customers. In such a situation, Ouraksen Medan can effectively apply value proposition to increase sales by lowering the price of goods or services, foster customer loyalty by providing new experiences to new customers, and boost sales by lowering prices in line with market trends.

The Importance of Ouraksen Medan Research is expected to be a model for MSMEs in Medan who want to develop a value-based business model, by understanding and optimizing the value proposition, it can increase business productivity, improve market conditions, and strengthen positions in the local industry. In this article, researching ouraksen medan using value propositions to overcome competition in the local market .

## Literature Review

According to Business Model Generation by Osterwalder and Pigneur, a value proposition is defined as a collection of products and services that provide value to a specific customer segment (Oliveira & Ferreira, 2011) . Value propositions are also what allows customers to move from one company to another to solve a problem or meet a customer need. Value proposition design is the application of tools to discover what kind of value propositions customers want and match those value propositions to what customers actually want. Value Proposition Design is the application of the Value Proposition Canvas tool that helps create value for customers.

According to Osterwalder and Pigneur, Value Proposition Design Consumer Profile describes a specific customer segment in a more structured and detailed business model. Businesses must be able to understand their customer demographics and better understand their aspirations, concerns, behaviors, and environments. Product quality is a statement of the level of ability of a particular brand or product to perform its expected functions, according to the American Society for Quality in Kotler and Armstrong. Product quality is a characteristic of a product that depends on its ability to satisfy stated or implied customer needs. Product quality is a statement of the level of ability of a particular brand or product to perform its expected functions (Nasution et al., 2020) .

To help create value for customers, design value propositions using a value proposition canvas, or value proposition canvas, to discover the different types of value propositions that customers want and ensure that those value propositions match what customers want (Qamarani, 2020) .

The Business Model Canvas is used to design, analyze, and validate business models. It consists of nine main components: Value Proposition, customer components, channels, customer relationships, revenue streams, key resources, key activities, key collaborations, and cost structure. Because it is the direct link between customer needs and the company's goods and services, the value proposition is at the center of this model. The primary benefit that makes a company's product or service attractive and relevant to customers is called the value proposition. Price, quality, innovation, personalization, and the social or emotional effects produced by the product are some of the components that make up the value proposition.

## Method

This study uses a qualitative approach that is used to understand in depth how value propositions are applied and play a role in the Ouraksen business model in Medan. This approach was chosen because it can explore contextual and in-depth information about the value proposition to be studied. The qualitative approach uses data in the form of narratives from interviews, observations, and documentation (Assyakurrohim et al., 2022). The purpose of the study is to find answers to the things described above. Based on several descriptions, the data collection technique is taken in the form of interview results and observations as well as documentation, to the analysis of the required data. By collecting data taken from the results of interviews by several related respondents, such as business people and business owners.

## Results and Discussion

The term “value proposition” is often used in a variety of ways as part of a sales and marketing strategy, such as in advertisements, white papers, case studies, and sales materials. In fact, the term is very well known, but when evaluating different value propositions, it becomes clear that not all value propositions are created equal. In fact, many of these are simply descriptions of features and functionality, not fully developed descriptions of value.

“Beauty is in the eye of the beholder.” This famous concept is particularly applicable to discussions about value. The term “value” has many definitions. However, a definition that encompasses the following concepts begins with an understanding of what value differentiation is. Therefore, the following definition is an important first step in understanding what a value proposition is.

According to Osterwalder et al. in Value Proposition Design, value proposition design is a collection of actions taken to create goods and services that consumers want. To find the value proposition that customers really want and ensure that the value proposition is in accordance with what customers want, value proposition design uses the Canvas Value Proposition as a tool to repeatedly design and test the value proposition sought to meet customer needs (Setiawan & Sisilia, 2020).

A collection of goods and services that provide value to a particular customer segment is called a value proposition. Value propositions can also be the reason why a particular company's customers switch to another company (Fauzy & Ghina, 2021).

Essentially, a value proposition describes the measurable value or tangible customer benefits that a product or service provides to customers, including return on investment or other benefits of choosing a particular service provider over competitors. A key aspect to consider in this skill is the idea of "Explaining Return on Investment." The ability to explain the value of a product or service in the context of the user's business is the hard-earned gold at the end of a road where much effort has been wasted. Interestingly, the literature on value propositions is relatively new and has grown rapidly over the past three decades.

Prior to this, advertising often demonstrated value using a variety of statements and features. However, in the 1980s, authors such as Theodore Levitt and Michael Porter wrote popular business books that included specific research on methodology and impact. In addition, Michael Lanning, then a consultant at McKinsey, joined the information community and supported the concept of a "value delivery system." A method for identifying value propositions from Michael Treacy and Fred Wiersema's published article discusses how successful companies apply "value discipline" (Fernandes et al., 2018).

The products that have been produced are a real testament to Ouraksen's value proposition. It also combines elements of design, materials and experience to provide unique value to customers. The items have been designed to meet the needs of the customers. Local materials such as beads and clay produced in Medan and the surrounding areas are the main ingredients of Ouraksen. Through the use of local resources, this method supports sustainability and empowers local communities. The use of local materials enhances the perception of the business as an authentic brand and supports the local economy, attracting consumers who care about sustainability.

Each product is handmade to ensure high quality and exceptional precision. Consumers believe that the items purchased have high aesthetic value, which is difficult to find in mass goods (Maghfiroh, 2021). Ouraksen's personal and quality products encourage customers to return to buy. Here are some examples of ouraksen products:



Figure 1. Ouraksen Medan Products

Both products and services offered to customers are part of Ouraksen's value proposition. This results in a deep customer experience and long-term relationships. Personalized Customization Service, Ouraksen helps customers design products according to their needs and desires through consultation. Customers can talk directly to the Ouraksen team if they want to add ornaments to the accessories they are interested in. Customers feel involved in the creative process, which results in an emotional bond with the products they create. Service Responsiveness Ouraksen's service team always responds to customer questions, complaints, or requests quickly. Responses will be given to customers who contact via social media or WhatsApp in less than 24 hours.

The results of the researcher's observations and trials regarding the value proposition in the canvas model plan are that the value proposition is an important point that must be considered when starting a business, the superiority of the product or this value proposition benefits the business owner, because with the existence of its own advantages from our business, it will differentiate us from other business competitors. Value proposition is a description of the benefits received by consumers from the products or services offered.

This concept is the core of why consumers are interested in buying and using products, goods, and services. A great value proposition can show how a company can solve a consumer problem, provide real and measurable benefits, and provide uniqueness that differentiates its products or services from competitors. Value propositions include not only superior value and physical products but also customer service, quality, convenience,

competitive prices, and even enjoyable personal experiences are all elements that fall into these values. Offering something better, more relevant, and more interesting than competitors is the main goal of the value proposition.

To create an effective value proposition, a company must have a good understanding of its customers' needs, preferences, and expectations. Thorough market analysis, innovative product or service development, and clear and compelling communication to customers are all part of this process. Therefore, a value proposition is an essential part of building customer loyalty and long-term, mutually beneficial relationships beyond mere promises.

## Conclusion

Based on the results of the research conducted, it can be concluded that value proposition is a very important element in developing a business model, especially within the framework of the Business Model Canvas (BMC). Value proposition is not a simple statement that describes the benefits of a product or service, but the core of a strategy that determines how a company can provide unique value to its customers, differentiate itself from its competitors, and create competitive advantage. For small and medium enterprises (SMEs) such as Ouraksen Medan, value proposition is the key to surviving in an increasingly competitive market.

The study shows that Ouraksen Medan as one of the MSMEs in the women's accessories sector is able to optimize the role of value proposition and create solutions that meet the needs of the local Medan market. Through a value proposition-based approach, Ouraksen Medan is not only able to introduce attractive products such as hijab brooches and DIY bracelets, but also provide relevant and valuable experiences for its customers. This shows that the value proposition allows the company to gain a deeper understanding of customer needs and preferences and provide better solutions compared to competitors.

In addition, a well-crafted value proposition not only highlights the features and benefits of the product but also includes the emotional aspects felt by customers. Therefore, the value proposition is a means to build long-term customer relationships, increase loyalty, and strengthen the company's position in the local market. This study also shows that the value proposition can act as a strategic guide for companies to respond to market changes, especially when faced with challenges such as limited capital, intense competition, and changes in consumer preferences due to the impact of digitalization.

The findings of this study provide important insights for other MSMEs in Medan, including Indonesia, on how to overcome various obstacles in the economy by using a value proposition-based approach. A strong value proposition allows these businesses to create uniqueness that allows sellers to stand out in a saturated market. A deeper understanding of customer needs through comprehensive market analysis allows MSMEs to formulate appropriate and attractive value propositions, thereby increasing the company's competitiveness and sustainability.

Furthermore, the study also highlights the importance of understanding customers when creating value propositions. By using concepts such as consumer profiles developed by Osterwalder and Pigneur, companies can identify customers' needs, problems, and expected benefits. This knowledge becomes the basis for developing products and services that not only meet customer needs but also offer innovative and differentiated solutions.

### **Bibliography**

- Assyakurrohim, D., Ikhrum, D., Sirodj, R. A., & Afgani, M. W. (2022). Case Study Method in Qualitative Research. *Jurnal Pendidikan Sains Dan Komputer*, 3(01), 1–9.
- Fauzy, R., & Ghina, A. (2021). Desain Proposisi Nilai Pada Startup Bidang Pendidikan Menggunakan Value Proposition Design Value Proposition Design in Startup Education Sector Using Value Proposition Design. 8(6), 7722–7728.
- Fernandes, S. D. C., Rosa, M., Queiroz, C., & Rozenfeld, H. (2018). An initial prototype of a tool for defining value proposition in the product-service system (PSS) design. *Proceedings of International Design Conference, DESIGN*, 1(August), 281–292. <https://doi.org/10.21278/idc.2018.0433>
- Maghfiroh, M. F. (2021). Analisis Implementasi Kanvas Model Bisnis pada CV Cipta Karya. *Jurnal Tata Kelola Seni*, 7(2), 107–118. <https://doi.org/10.24821/jtks.v7i2.5171>
- Murti, N. W., & Sisilia, K. (2019). Analisis Profil Konsumen Untuk Pembuatan Aplikasi Indekos Dengan Pendekatan Desain Proposisi Nilai. *PERFORMANCE: Jurnal Bisnis & Akuntansi*, 9(2), 1–17. <https://doi.org/10.24929/feb.v9i2.788>
- Nasution, S. L., Limbong, C. H., & Ramadhan, D. A. (2020). PENGARUH KUALITAS PRODUK, CITRA MEREK, KEPERCAYAAN, KEMUDAHAN, dan HARGA TERHADAP KEPUTUSAN PEMBELIAN PADA E-COMMERCE SHOPEE (Survei pada Mahasiswa S1 Fakultas Ekonomi Jurusan Manajemen Universitas Labuhan Batu). *Ecobisma (Jurnal Ekonomi, Bisnis Dan Manajemen)*, 7(1), 43–53. <https://doi.org/10.36987/ecobi.v7i1.1528>
- Nur, D. F., & Eka, S. (2022). Analisis Profil Konsumen Dalam Upaya Pengembangan Produk untuk Mempertahankan Bisnis dengan Pendekatan Desain Proposisi Nilai (Studi Kasus Usaha Dinda .... *EProceedings of Management*, 9(2), 140–146. <https://openlibrarypublications.telkomuniversity.ac.id/index.php/management/article/view/17614%0Ahttps://openlibrarypublications.telkomuniversity.ac.id/index.php/management/article/view/17614/17358>
- Oliveira, M. A.-Y., & Ferreira, J. J. P. (2011). Business Model Generation: A handbook for visionaries, game changers and challengers - book review. *African Journal of Business Management*, 5(7). <http://www.academicjournals.org/AJBM>
- Qamarani, E. (2020). Analisis Profil Konsumen Startup Ketringan Dengan Pendekatan Desain Proposisi Nilai. *Telkom University*.
- Setiawan, R., & Sisilia, K. (2020). Analisis Profil Konsumen Untuk Pengembangan Aplikasi Futsal Menggunakan Pendekatan Desain Proposisi Nilai. *Jurnal EMBA: Jurnal Riset Ekonomi, Manajemen, Bisnis Dan Akuntansi*, 8(1), 62–74.
- Syahbudi, M., Armayani, R. R., & Tambunan, K. (2024). PENGEMBANGAN KOPERASI SYARIAH MELALUI BUSINESS CANVAS: GAGASAN DALAM PENGEMBANGAN MASJID. 1(2), 46–54.