
Test of ‘Free’ in a Business Model: An Empirical Study

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Abstract

The event, Odissi International 2013, running through its fourth year, is the annual union of global Odissi dancers in Bhubaneswar, Odisha. This Indian classical dance has gained popularity far and wide, evidenced by participation from 227 dancers from 15 countries, who have converged on the land of Odissi to showcase their style, depth, finesse and creativity in Odissi dance performance. Shyamhari, the person who started the dance event wondered if his new revenue model of collecting participation fee from the performers is more sustainable than his previous model of providing a free platform for Odissi dancers. It was his personal relationship and goodwill that he nurtured over two decades that was pulling dancers to participate in the first place. By charging them now, is he jeopardizing the goodwill and thus the sustainability of the event? The paper takes the example of Odissi International and tries to explain the consequences of (not) charging a participation fee for event, such as the event’s future, and the credibility of the event, reaction of the participants and the spectators. The paper outlines both the business models—dance event without a participation fee versus the dance event that charges a participation fee—taking the empirical subject of Odissi International. After due comparison of both the business models, the test (effect) of ‘Free’ is conducted with respect to the sustainability of the event. The critical feedback loop (virtuous cycle) is explained in light of the study to ascertain the issue of sustainability with the help of the test of free.

Keywords: Business Model, Test of Free, Positive Feedback Loop, Sustainability, Indian Classical Dance, Odissi

1. Introduction

For any event that has international participation, the event managers should not only be clear in the process of conducting the event, but also be clear in ascertaining its sources of

revenue and control of costs. The event manager usually faces the trade-off of seeking donations or grants for the event or to charge a participation fee from the delegates. Many event managers seek both, but organizers of performing art events normally take one of the said routes. However, the trade off remains: the economic viability of the event versus any compromise on the fundamental values of the event. *Ceteris Paribus*, if the event has no participation fee then the participation of the event improves and the prevalent perception is more in line with the welfare or dedication to the cause of the event. However, making the event ‘free’ for participation not only ends a plausible revenue source but may also raises the perception that anybody can participate. The credibility of the event is what makes the participation serious. This paper questions the decision of charging a participation fee and its possible effect on the event’s future, by considering the case of Odissi International, a global Odissi dance event. The paper also seeks to ascertain the possible effect of change by studying the firm’s current business model in contrast with the past business model. Finally, this paper strives to cull out the critical factors that are fundamental to the success of the business model and thus the event, Odissi International.

2. Literature Review/Research Gap

Receiving something free of charge is always an attractive value proposition. ‘*Free*’ as a Business Model (Osterwalder & Pigneur, 2010) outline the power of ‘free’ in a business model and explains ways to raise revenues by making the primary offering ‘free’ to the consumers. They also outline how to remove ‘*Free*’ from the Business Model without compromising on the benefits that ‘*Free*’ provides. For this, it is necessary to understand the necessary changes in the firm’s business model and the key forces that influence them. Subsequently, it is necessary to highlight the positive feedback loop that improves the critical success factor addressing the participation for the event.

Free: The Future of a Radical Price (Anderson, 2009); Business Model Generation (Osterwalder & Pigneur, 2010) and How About Free? The Price Point That is Turning Industries on Their Heads (Knowledge@Wharton, 2009) all stress on the practicality of ‘Free’ offered as a fundamental element of their Business Model. Osterwalder and Pigneur say that “In the FREE business model at least one substantial Customer Segment is able to continuously benefit from a free-of-charge offer. Non-paying customers are financed by another part of the business model

or by another Customer Segment”. Naturally, the demand generated at price – zero is higher than at any price point. Receiving something free of charge is always an attractive value proposition. This was happening in the previous business model of the firm (event) conducting Odissi International event.

Further, Osterwalder and Pigneur (2010) give a practical approach to generating a business model and Johnson, Christensen, & Kagermann (2008) in their Harvard Business Review article Reinventing Your Business Model, talk about the changes that can be made to the business model when the need arises. The development of the business model and due changes in the business model frame a fundamental objective of this paper and goes beyond to highlight the critical factors by considering a positive feedback loop. The existence of this positive feedback loop indicates the manifestation of complex adaptive system, which can be taken up for focused study later.

3. Research Questions

Considering the literature on ‘free’ and its impact on the business model of the firm, it is necessary to understand if by charging a participation fee, will the perception that the Odissi platform that was seen as a place where talent prevails will now change to be a place where money prevails? As this research is built on the event management on an offering that was ‘free’ but is changed to a ‘participation fee’. This means that the goodwill that was created by the personal relationship of the protagonist may take a hit when money is charged from the participant that in the past was free of charge. This questions the credibility of the event and can influence the lack of trust from the stakeholders. Will this affect the personal relationships and goodwill that Shyamhari has painstakingly built over the years? Will there be any effect on the business model of the firm? How to ensure that if the ‘free’ element is taken off from the business model, the critical factors that ensured success remain?

4. Methodology

Quantitative techniques cannot be used as the empirical study of the business model of the firm, based on an event, are infrequent and have far too less composite instances for any statistical relevance. This leaves with the option of qualitative analysis, where the elements are described with detailed qualitative importance. Further, as it is not obvious that any change in

the revenue model of a firm will have a linear impact on the critical factors of the firm, the research outcome will mostly be inductive in this research. Keeping the above in view, Grounded Theory method (Denzin & Lincoln, 2003) is proposed to answer the research questions taken up in this paper. Grounded theory emphasizes the generation of theory from data and the empirical data is provided in this paper to generate and/or reconfirm theory. A similar technique, analytic induction, can also be used to iterative build theory from data (Denzin, 1978).

As Stern (1995) suggests that the most benefits that ground theory research provides is a scientific way of moving forth in unknown realms and also providing a novel perspective to a regular (business) situation. The primary goal of Grounded Theory is to provide or formulate—and then reformulate—hypotheses or explanations based on conceptual ideas and then later refine the theory based on data generalization (Glaser & Strauss, 1967). This paper tries to confirm the hypotheses or explanations, but does not try to make the theory generalisable. However, triangulation of data, from published sources, interviews from the event manager, participants and spectators increases the validity, a process suggested by Denzin (1978).

Grounded theory methods are considered as qualitative and hence the results may not confirm the concepts or hypotheses developed from empirical data, every time (Glaser 1998). Validity in grounded theory is judged by conceptual fit, relevance to theory and practice, ease at which the problem is solved, and is alterable in the scenario where additional data do not fit (Glaser & Strauss 1967, Glaser 1998). This paper has considered grounded theory to generate the critical factors that are essential for the success of the event, even after the business model goes through a transformation.

In most empirical and action research, individuals are the unit of analysis, whereas in grounded theory driven research, the incident is the unit of analysis (Glaser & Strauss, 1967). When comparing two business models (incidents) in a certain organization on a longitudinal basis, the emerging concepts and the critical factors become evident. The unit of the study is 'sub-organization', where multiple initial incidents responsible for the change in business model take place. The concept of sub-organization relates to parts of the business model that act as a critical cog to the whole organization's performance, and at times is representative of the whole organization. Here the business model of the organization as a whole is naturally more than the sum of the said sub-organization parts. This is typical of social system, where the interrelated

cogs affect each other and get affected in return, and exist symbiotically (Garud & Van de Ven, 1989:204). Further, the functions of the sub-organizations (cogs) define the boundaries of the group (business model), rather than the researcher trying to impose arbitrary boundaries (Easton et al, 1993:3). This way, not only the business models and its constituent parts are analysed longitudinally, but also their beneficiary interactions to provide the critical success factors, which remains the other objective of this paper.

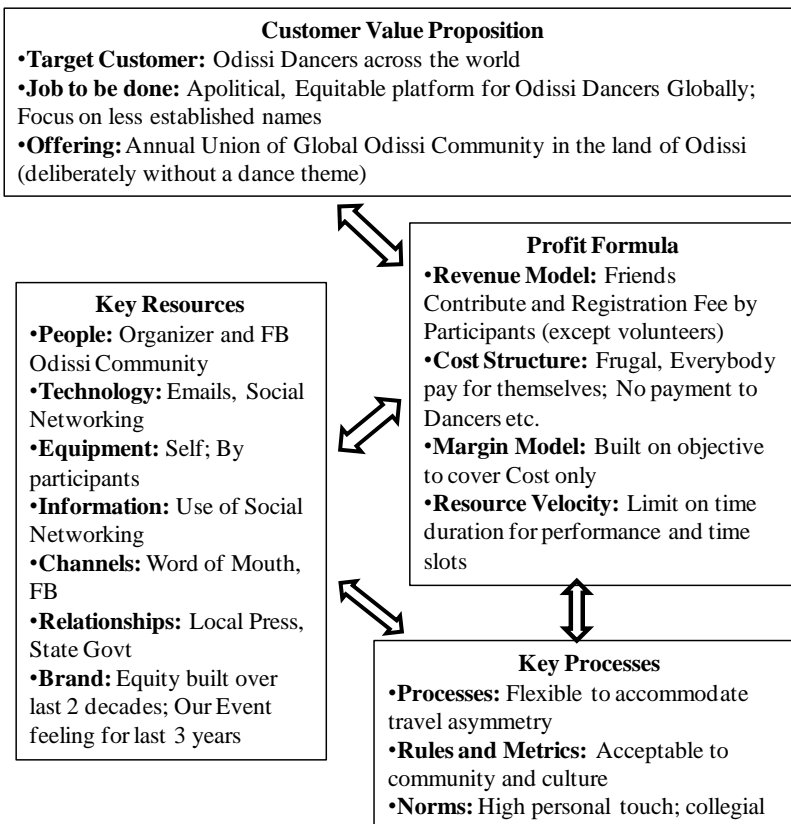
5. Empirical Data: Odissi International

Odissi is one of the early Indian classical dance forms (Vatsyayan, 1992) that have taken the imagination of the world (Vatsyayan, 1996). Odissi dance was refined and its repertoire formed during the mid twentieth century (Patnaik, 1971; Pathy, 2007) and Odissi established itself as an Indian classical dance art across the world (Kothari & Pasrciha, 1990). With the popularity of Odissi, Odissi dancers and different dance schools emerged the world over (Khokar & Khokar, 2011). These dancers wanted to visit the land of Odissi and gain the experience, in person.

Odissi International is the annual union of Odissi dancers in the land of Odissi, conceptualized and conducted by Shyamhari. Shyamhari is a journalist who took interest in the Indian arts and became an arts critic for *The Hindu*, leading English daily in India, and covering Odissi became his specialty. His idea was to bring together the ever-growing global Odissi community to the place of origin of the dance tradition, so that they are connected to the roots of the art form. Odissi International became a dance platform for both aspiring and established global Odissi dancers, held every year at Bhubaneswar during the month of December.

The event was deliberately made collegial, where the participants (dancers, musicians, dance gurus) and even the participants were made to feel that they are a part of the event and the event is more of a community festival. Shyamhari decided that there will not be any participation fee for the dancers and there will no ticket price for the spectators, at least the first three years (Patnaik, 2014). His idea was to create a platform for Odissi dancers, invited individually based on their achievements, to ascertain promising performances. He wanted this dance platform to be 'free', free from any money from the participants and spectators and free from any kind of politics and imperfections. His approach of 'free' increased the credibility of the event, exponentially, where only merit prevailed.

Although, the high credibility of the event and the positive word of mouth brought in better Odissi dancers across the world, yet the donations and grants, which were essential to run the event, stagnated. During the event, he also realized that the patrons who donated also wanted a few favours, which compromised on the free nature of the event. Moreover, the money raised through donations/grants was not enough to sustain the event, year after year. Further, Shyamhari realized that there is a limit to cutting cost and he somehow needs to increase revenue. During the fourth year in 2013, he decided on a more sustaining source of revenue, a participation fee, than conducting the event every year based on ad-hoc charity. To address a more stable source of revenue for the event and to be insulated from improper demands of the donors, Shyamhari decided to charge a nominal participation fee from the dancers. The global Odissi dancers reacted to the charge with enthusiasm and positivity.



[Fig 1: Business Model of Odissi International: No Fee]

After a participation fee being charged, the 4th Odissi International in 2013 saw 227 dancers from 15 countries performing in the event, a ten percent increase in participation and patronage. Shyamhari was amazed at the vibrancy of the event, yet wondered if his new revenue model of collecting participation fee is more sustainable than his erstwhile model of creating a free platform for Odissi dancers. Through his goodwill and personal relationship of over 19 years, he invited dancers to participate. By charging the dancers a participation fee, is he risking the sustainability of the event?

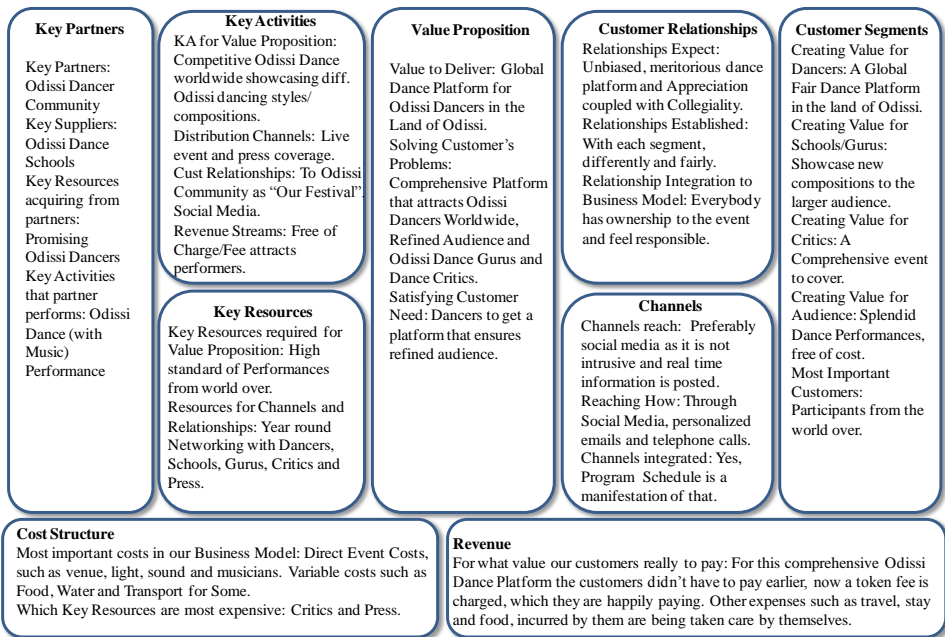
Assembling the above and through discussion with the event manager, it is necessary to comprehend the elements of the business model of a firm. For this reason, the essential elements of a business model needs to be sketched out. A past business model of Odissi International, derived from Johnson, Christensen & Kagermann (2008) is outlined in the following Fig 1. Kindly note that there are numerous instances and decisions that is not outlined above but is captured in the business model. The analysis following in the next section of this paper is dependent on the business model outlined in Fig.1.

6. Findings/Conclusion

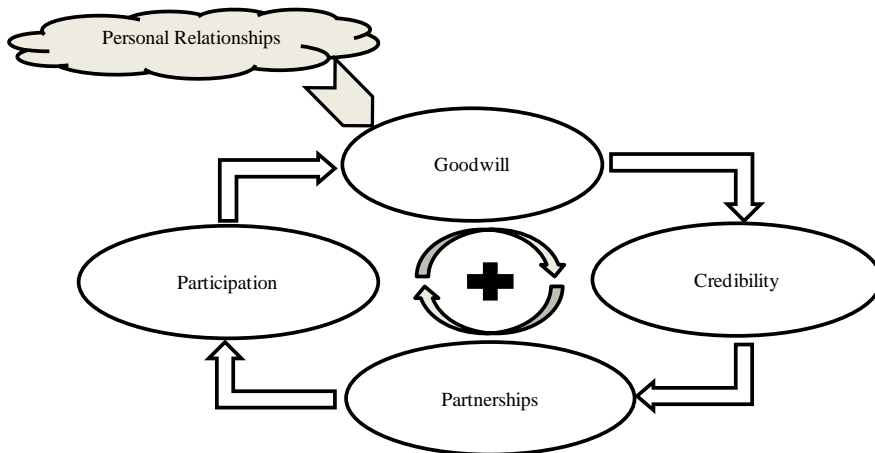
Looking at the above data and its manifestation in the business model in Fig. 1, it becomes easier to understand why the event manager wants to change and what could be the consequences of such change. Osterwalder & Pigneur (2010) modified the business model structurally and the new business model of Odissi International is outlined in Fig. 2.

Once the business model is developed and the relationships established, it is easier to understand the consequences of the change made to the revenue model. The new business model shown in Fig 2 clearly shows that the approach of the event manager is more towards generating funds rather than seeking donations. Further, there is a limit to reduction in expenses, which leads to the belief that operational optimization, has happened and the benefit of learning curve is mostly achieved. However, keeping the event's sustainability in mind, it is important to understand the most crucial element in the above business plan that drives the value proposition.

Value proposition understanding leads to the critical factors that are outlined in the following Fig.3 based on the positive feedback loop (virtuous cycle) to ascertain sustainability to the business model.



[Fig 2: Business Model of Odissi International: With Participation Fee]



[Fig 3: Virtuous Cycle of Critical Factors]

Charging a participation fee will not change the perception of participants as the event was Spartan and the money spent judiciously. Participants felt the fee that the organizers of Odissi International charge is nominal as compared to many other events of this repute. Further,

participants were given their performance photographs by the event managers, which would otherwise have cost them more than the fee they paid for the event. The reputation of the event was intact as is evidenced by the higher turnout of participants and spectators. The way the expenses were met reinforced the belief that the event was fair and the platform is in fact free. A spread out revenue source (from participants) is a less risky option for Shyamhari. The event Odissi International is successful for the virtuous feedback loop created by goodwill-credibility-partnership-participation and Shyamhari added another dimension to it by hosting it in the land of Odissi, Bhubaneswar. Bhubaneswar, the state capital of Odisha, provides refined participants and enthusiastic-mature audience, which in turn attracts foreign participants and critics. The vibrancy of the activities at Odissi and large international participation not only attracts the local press to cover the event, but also the internal press reports the event encouragingly.

The positive feedback loop started from long standing personal relationships of Shyamhari created goodwill in the Odissi community and the way the event was conducted brought credibility to the event. Global Odissi dancer wanted to share the stage with known Odissi dance celebrities and perform in front of knowledgeable spectators. As the event was collegial and every stakeholder felt ownership towards the event, the partnership amongst Odissi dancers, musicians, dance gurus, critics, media and spectators was amazing. This further ensured high participation of performers and spectators. All of this ensured an improved personal relationship. This feedback loop (virtuous cycle) got reinforced positively every time and this reinforcement ensured the sustainability and success of the event.

7. Limitations

Extensive use of data from all plausible sources—essential in grounded theory studies—ranging from field interviews, to research from noted scholars, with divergent richness of instances, remains an important limitation. Bringing the primary and secondary data to a common platform is essential in this research, as is typical with grounded theory research. However, as the theory is built from the data instances of the study, more iterative instances would refine the conclusions, better. Grounded theory is preferred as a research method in this paper over an equally strong approach to similar study, the analytic induction technique.

The explanation and findings presented in this research, is done with respect to idiosyncratic instances, which may not be applied empirically in its current state to other study

of similar nature. This is because; the certain attributes enjoyed by the subject under study may not exist in others. This research may not identify the portability of findings over other organizations.

Further, research bias in similar studies is difficult to completely neutralize, which is also a limitation of this paper. Finally, the existence of iterative virtuous cycle (positive feedback loop) indicate the manifestation of complex adaptive system, is not considered in this study.

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