

# BUSINESS MODEL INNOVATION AT FROST FESTIVAL

# FROST

Master's Thesis

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## 1. Executive summary

This thesis aims at analyzing and discussing how business model innovation can be employed at the Copenhagen-based music festival FROST. The research is focusing on which potentials and barriers that are present towards creating a sustainable revenue model. The business model framework offers a body to analyse and depict boundary-spanning activities towards creating, as well as capturing, value. The model furthermore emphasizes a systemic view of the organization; not solely focusing on innovation within the individual parts. To discover how the efforts can reveal sources of monetization, four value-drivers is employed. However, a fifth value driver consisting of non-rational and aesthetic motivations arises during the research. It is argued that by applying a framework primarily explored within business cases with a utilitarian motivation, to a niche festival organization, a central issue displaying a classic encounter within the creative industries arises. This represents a barrier towards answering the question of delineating sources of revenue.

In addressing the research problem, a qualitative method was applied. Two primary sources from the organization of FROST were engaged in semi-structured interviews. The data was supplemented by insights from the researcher, drawing on a six months internship leading up to the 2014 edition of the Festival. By using the collected data and the business model framework as a starting point, the method is utilizing an ability to move iteratively between theory and empirical data. This methodological approach is also defined as the middle-range paradigm, hence interchanging between an inductive and a deductive approach.

The first part of the thesis comprises an exploration of the current business model of FROST, executed in order to create a solid scaffolding towards the locus of change. Secondly, the framework is used as a foundation for innovation, condensing nine building blocks into four basic design-elements, letting the innovation be either offer-driven, customer-drive, resource-driven or finance-driven. The four value-drivers are discussed within this structure, while the emergence of a fifth value-driver comprising a motivation of passion, distorts the process.

Along the way exemplifications of the different innovative approaches towards creating and capturing value, are visualized in matrices. This is done to sustain comprehensibility of the theoretical discussion, and also to give a view of the implications of interference with one element in the business model, thereby enforcing a holistic perspective.

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### 3. Introduction

In the fall of 2014 I engaged in an internship with FROST Festival, a Copenhagen-based music festival constituted by a string of events during the month of February, taking place both inside and outside the city border. The Festival emphasizes on a conscious choice of linking music with special locations. The 2014 edition was the 4th year on the market for FROST, presenting a total of 20 unique events (Appendix 5). The Festival has experienced growing audience numbers every year, and in this year's edition, 87% of events comprising an entrance fee was sold out (Appendix 6).

My personal motivation for engaging in FROST is founded in a wide curiosity about a phenomenon displayed at this particular event. From my point of view, FROST seemed to have an ability to create sought-after and sometimes even mainstream events within a booming festival market, and at the same time being acknowledged as innovative and cutting edge. The successful balancing of imperatives; combining an including musical experience with a new, unexpected setting, triggered my attention. Thus, the ability to communicate the storytelling of the events seemed to be a strengthening factor to the success. By committing to an un-paid internship at the Festival-office for six months, engaging in everyday tasks, it became evident that the Festival was on the verge of moving on to a new chapter. There was an overall feeling that the primary goal had been achieved, and that the concept had been perfected. Despite the continuous success of the first four years, a wish for development and growth was present. Another incentive for change was triggered by the fact that a large funding pool was terminating, hence new ways of creating financial sustainability, was needed.

FROST is situated in the ever-growing and competitive festival market of Copenhagen. An internal screening of the market revealed several actors moving into the conceptual territory of FROST's key offering; combining known music with an unexpected context. Other niche festivals such as CPH:DOX and STRØM Festival have within the last couple of years taken initiatives of challenging the concert concept. By presenting cross-aesthetical experiences such as concerts and films in uncommon settings they succeed in playing with the expectations and conventions of the audiences, similar to FROST Festival. The trend of focusing on auxiliary elements at festivals is not unique to the Danish market, but corresponds to research from the UK, exploring the motives of festival goers. This comprehensive study proves that it is risky for festival managers to rely solely on the theme of the event itself, hence it is equally important to create an atmosphere which offers opportunities to socialize as well as having non-musical experiences (Gelder & Robinson, 2009).

The fact that FROST is held in February, outside of the extensive summer festival season, minimizes the impact of the competition within their offering, as none of the main competitors have events during the winter season. However, an observation of an overall growth of the number of niche festivals might change this picture. An article uncovering the Danish festival market suggests that the market for niche festivals are increasing, thereby attracting audiences from the conventional rock/pop festivals who are having difficulties reaching their goals. Connecting the brand and event to unique factors, such as a special genre or doing concerts in special locations, are recognized as a related trend to this increase (Fogde, 2014). The adaption of the niche and cross-over in the public sphere suggests that FROST was ahead of a trend when they initiated their festival concept four years ago. A trend which has now proven adaptive within the field of competitors. Furthermore, when offering artistic works to an audience of ambiguous taste, a statistical inability towards predicting what will actually succeed is present, hence working in a so-called 'nobody-knows' market. The excessive competition supports the need of an assessment of the grounds for boundary-spanning activities at FROST, leading to the objective of this research.

The thesis is executed as a case-study, hence taking an intermediary position operating concurrently between data and theory to secure a fulfilling analysis. The work of a festival situated in the market for creative goods differs in substantial ways from the counterparts in the rest of the economy where creativity plays a lesser role. However, an attempt to apply generic business theories to the organization is executed. The business model framework is chosen as a configurative tool, because it offers a way to describe the rationale of how an organization creates, delivers and captures value (Osterwalder & Pigneur, 2010). A constant need to respond to the changing environment, suggests to employ the business model as a subject of innovation, thereby including flexible capabilities. The research analyzes the elements of the business model of FROST, in order to discuss them in terms of the potentials of growth and innovation based on explicit drivers of value. To gain information on the subject, apart from the existing literature and research available, interviews from a team of internal actors, as well as an external competitor, will provide a perspective of the challenges and possibilities at hand.

In order to survive, a festival needs a fundamental amount of revenue each year to cover basic costs, as well as re-investing in future tasks and events. Apart from this principal economic foundation, there are several available approaches in terms of choosing the objectives of profit creation. One path is being self-sufficient and letting the owners collect the profit by creating a large turnover. Another path moves towards obtaining a minimum of revenue from whoever

wishes to support the artistic project, which is mainly public funds. The latter will enable the festival to survive, hence using whatever is generated to sustain a high level of freedom towards authenticity and originality. Employing the directions in their pure form is rare, thus combining elements from both orientations can create motivational issues as this research will encapsulate.

### 3.1. Research question

The issues introduced above sets the frame for following research question:

**How can FROST Festival make Business Model Innovation, and which barriers and potentials does this generate in terms of objectives for generating revenue?**

In order to answer the research question, the following sub-questions were utilized to guide the research in the right direction:

**#1:** What is FROST's current business model design?

**#2:** Which potentials and barriers can lead to innovation within this design?

**#3:** How can a visualization of the innovation probabilities help extract leading examples?

**#4:** Which objectives are present towards the generation of a sustainable revenue model?

### 3.2. Visualization of research process

The following figure was made to guide the reader. It visualizes the progression of the research in overall terms.

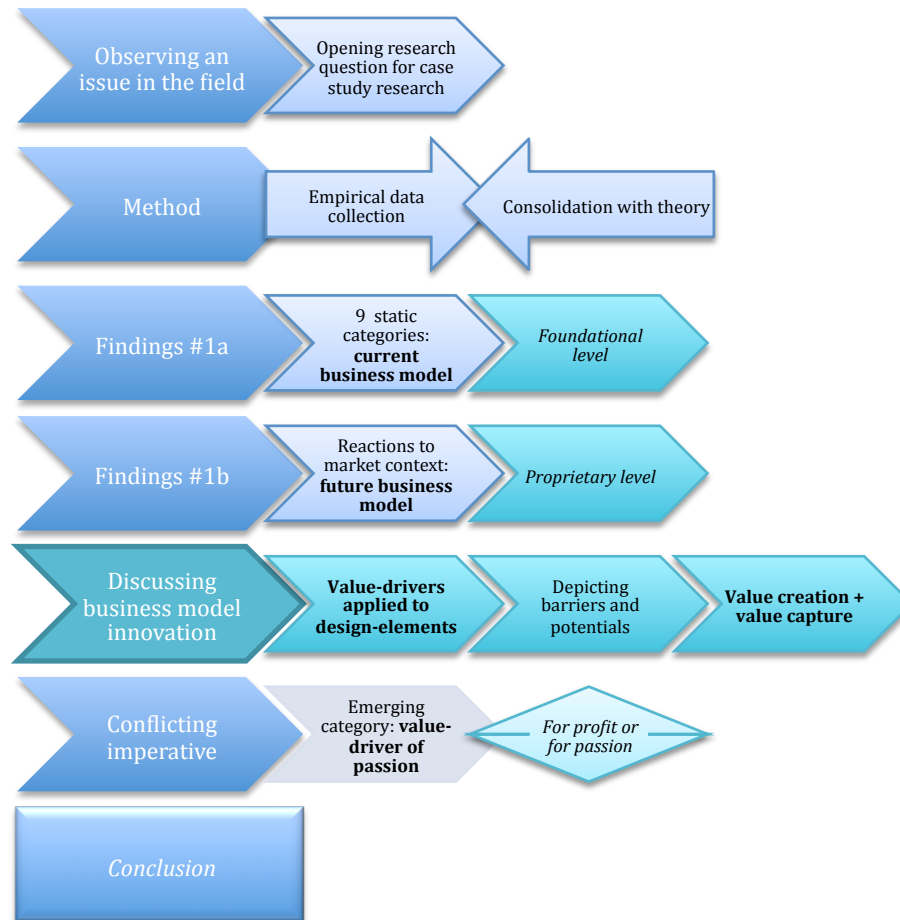


Figure 1: Progression of research

## 4. Methodology

### 4.1. Case study

In terms of taking an academic perspective to contribute to the development of FROST, the case-study format was found appropriate. This format helps emphasize interpretation and understanding of the case, thus not putting an isolated focus on the pre-given theoretical propositions. The use of qualitative data was chosen, since it can “provide meaningful, novel insights into complex social processes like on-going business model change and innovation.” (Eisenhardt and Graebner, 2007 in Günzel & Holm, 2013; 9). The conduction of an internship (six



months of field work), enables an understanding of the processes by which the actions takes place. Survey research with a quantitative approach are poor at identifying this (Maxwell, 2008). Developing causal explanations is also possible within the qualitative research, thus, it requires thinking of causality in terms of processes and mechanisms.

*“Although quantitative data may have greater credibility for some goals and audiences, the specific detail and personal immediacy of qualitative data can lead to the greater influence of the latter in other situations”* (Maxwell, 2008; 221).

To be able to learn how the specific case of FROST works thick descriptions are applied in order to provide meaningful interpretations. The interpretation will focus on the perspectives, conceptions, and experiences of the people involved in the study, thereby constructing a narrative which also takes the specific context into account (Eriksson & Kovalainen, 2008). A relevant context in this case, is the competitive market of niche festivals working within the area of Copenhagen. This method corresponds to research by Miles and Huberman (1994), stating that:

*“Qualitative data, with their emphasis on people’s ‘lived experience’, are fundamentally well suited for locating the meanings people place on the events, processes, and structures of their lives: their perceptions, assumptions, prejudgments, presuppositions and for connecting these meanings to the social world around them”* (Miles & Huberman, 1994).

## **4.2. Data collection & analysis**

Semi-structured interviews as well as insights from my in-depth engagement with FROST will lay the foundation of the qualitative study.

### **4.2.1. Sampling**

All qualitative sampling is dependent on the ability to perform an effective and efficient gathering of sufficient and appropriate data (Bryant & Charmaz, 2007). There are different approaches to sampling, however the ones exploited in this study originate from the method of grounded theory as depicted by Glaser and Strauss in the 1960’s (Ibid.). Following was employed: *Convenience sampling* where participants are selected on the basis of accessibility in order to identify scope, major components and trajectory of the overall process (Ibid.). This was completed during the 6 months internship by performing informal and unstructured conversations with personnel within and around the Festival. This enabled me to narrow down the scope of issues at stake hence tracking down a comprehensive view of the subjects of interest and identifying critical

informants.

*Purposeful sampling* includes approaching the afore identified participants of interest within the organization (Ibid.). The CEO as well as one of the members of the Owner Group was engaged in individually conducted, semi-structured interviews.

*Theoretical sampling* involves selecting informants corresponding to the needs of emerging concepts and theory (Ibid.). When reflecting on the findings in relation to theory and context a need appeared to discuss the preliminary findings with competitors within the market, in order to broaden the scope of the research in relation to the market as well as verifying facts and impressions. A double-informant, current COO of Roskilde Festival and former CEO of Copenhagen Jazz Festival, was thus introduced to the sampling.

The following scheme presents the sources of the primary and secondary data collected:

TYPE OF DATA	INFORMANT	FORM	DOCUMENTATION	SCOPE
<b>PRIMARY</b>	CEO of FROST (Mikael Pass)	Semi-structured, in-depth interview, in person.	Memos, transcription, coding	1,5 hour
	Owner of FROST (Jesper Majdall)	Semi-structured, in-depth interview, in person.	Memos, transcription, coding	0,5 hour
	Researcher (Eva Frost)	Direct observations, participating in setting	Memos	6 months internship
<b>SECONDARY</b>	COO of Roskilde Festival (Signe Lopdrup)	Semi-structured interview, in person	Transcription	1 hour
	Media/press (Various authors)	Articles, reviews, interviews	Memos	-
	Internal documents	Evaluations, accounts, statistics	Memos	-

Figure 2: Overview of collected data

To avoid blind-spots and missing important information a triangulation strategy was applied in order reduce the risk of the conclusions of the research only reflecting one view of the case (Maxwell, 2008). When crosschecking data from multiple sources, a multidimensional perspective of the activities in FROST was provided. However, every source of empirical data had its own characteristics, including strengths and weaknesses. To gain insights of the *internal* organization of FROST, semi-structured interviews with the owner and the CEO in was executed. This was complemented by my own insights, internal documents obtained from the CEO, and articles from the Danish media. The *external* view of FROST was extracted from media content and supplemented with an interview with an expert of the field, the COO of Roskilde Festival.

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#### 4.2.2. Role of informants

**CEO of FROST:** The artistic director of FROST works on all levels of the organization. He is the daily leader of operations as well as the conceptual manager. He comprises the last say in all artistic and economical aspects during the production and execution.

**Owner of FROST:** Since the owner group consists of five people, one informant was chosen inadvertently on the basis of who seemed to have the closest relation to FROST. None of the owners has any form of engagement with the daily operations of the Festival. They comprise the board, as well as function as coaches for any kind of issues that the CEO or other employees must have. The owners produced the first edition of FROST by themselves without any subordinate CEO, and therefore knows what the production comprises of.

**COO of Roskilde:** The COO of Roskilde is also the former CEO of Copenhagen Jazz Festival and thereby comprises a relevant double-informant role, able to confirm or contradict any found opinions and believes about the festival market of Denmark. She knows of FROST but has never been involved with the Festival as such, therefore information from her interview is defined as secondary data.

**The researchers role:** During the internship I have executed direct observations as well as participated in the everyday work. This open-ended and flexible approach alone would only allow me to examine theories in relation to practices on FROST Festival, excluding from the ability to confirm or deny any general hypothesis (Jørgensen, 1989). Consequently, my collected data is used as supporting information to the two primary sources. Since being part of the Festival from an early stage, until after the execution, great insights were gained of both the initial processes as well as experiences of the results of the work done.

#### 4.2.3. Individually conducted interviews

The scientific interview is an interpersonal situation, where knowledge is created between the interviewer and interviewees' point of views. The semi-structured interview seeks to capture descriptions of the interviewees' life-world, hence being able to interpret the meaning of the described phenomenon's. It is responsive to change in terms of disposition and explicit expression of the questions, in order to be able to follow impulsive leads (Kvale & Brinkman, 2008). In the design of the interview, the desired analysis-method was taken into account. Furthermore, interview guides were created entailing the thematic research questions as well as containing interview topics

taking both thematic and dynamic dimensions into account. Hence, the guides were built iteratively around the leading concepts of the business model framework or the relating concepts of change.

The interviews were conducted in Danish being the native tongue of both myself and the informants. This helped increase the understanding and flow of the conversation, however the translation process in the coding as well as extraction of quotes may have resulted in a minor knowledge loss due to the change of interpretation.

#### **4.2.4. Reduction**

In order to reduce the data collected, two approaches were executed. Memo writing was used as a distillation process, in order to extract important issues of interest from the differentiated information collected. To raise from the empirical level, a fracturing of the data was then executed by using the method of coding in order to conceptualize the data (Bryant & Charmaz, 2007). The 9 categories of the business model framework, by which the coding was led, related directly to the research question and can therefore be seen as data-reducing devices in order to analyze for meaning. The potential bias of not reaching outside the extant theory for emerging categories was avoided by emphasizing on extracting concepts of value of all kinds, furthermore searching for concepts of flexibility, change, and future. This conduct depicted the need of the dynamic approach of business model innovation theory.

#### **4.3. The middle-range paradigm**

The thesis was created in order for the readers to learn and potentially take action regarding the particular case. Hence, the balancing between theoretical concepts and empirical investigations are of vital importance (Erikson & Kovalainen, 2008). The *deductive* discipline rests on the idea that theory is the first source of knowledge, hence following a linear process from theory to empirical research. *Induction* on the other hand, follows the logic of proceeding from empirical research to theoretical results (Ibid.). Since this study will focus on enabling new discoveries extracted directly from a case, in a logically, theoretically based, way, the emphasis is laid on using different methods in different phases of the study being able to move iteratively between induction and deduction. The research has a theoretical framework as starting point, hence employing empirical data to explore the current state of the organization, as well as the development potential. Intertwining empirical findings, prior research and theoretical ideas enforces makes it possible for my observations to be theoretically informed and my theory to be empirically grounded, not excluding the ability to identify unanticipated phenomena such as emerging concepts and categories. This intermediary

position is identified as the *middle-range theory*, proposed in the 1940's and 1950's by sociologist Robert K. Merton (Burns, 2010). The theory stands between the two opposing tendencies of *functionalist grand theorizing*, where generalizations are deducted from logically interrelated propositions, and *empiricism*, deriving from logical positivism emphasizing analysis of direct observation (Ibid.). The progress of this study will thus be utilizing the informed theoretical categories, while leaving room for emerging concepts and categories in order to capture all aspects of the case.

A method effectively criticizing the middle-range theory is *grounded theory* which became a part of researchers' methodological inventory in 1965 with the publication *Awareness of Dying* by Glaser and Strauss (Bryant & Charmaz, 2007). It abandoned the idea of testing and verifying the teacher's and researcher's works (deductive reasoning), emphasizing on going into the field to gather data without a predefined theoretical assumption, generating novel theories instead of verifying old ones (Ibid.). This study will emphasize the ability to explore unanticipated phenomena emerging *from* the data, thus within a predetermined theoretical framework, hence only employing elements of grounded theory. Due to the fact that informed categories perform the fundamental guidance, the overall study is informed by the *middle-range* paradigm.

#### 4.4. Choice of theory

In order to make a comprehensive analysis of FROST, building on identifying potentials of new revenue streams, a screening of business theories employing potentials of value creation was executed. The choice of the business model framework was founded on a weighing of the capabilities of other approaches such as resource-based theory, systems theory and transaction cost economics, all comprising approaches to capture value. Hence, the business model framework was found a fulfilling tool catching the essence of the backbone of the firm while being a synthesis of its conceptual roots (Morris et. al., 2005). The research will be informed by 9 predetermined theoretical categories in order to systematize the findings. The categories are employed as leading concepts and are extracted from the business model framework, as proposed by Osterwalder (2004) and Osterwalder & Pigneur (2010). The application of leading concepts early in the process enables cross-case analysis of the expressed opinions and values (Miles & Huberman, 1994). It furthermore ensures the fact that a sociologist should, "*employ theoretical sensitivity, which means the ability to see relevant data and to reflect upon empirical data material with the help of theoretical terms*" (Bryant & Charmaz, 2007; 193).

The analysis of the organization's current business model revealed a need for a further conceptualization further capturing the boundary-spanning potentials. A pool of non-flexible elements was depicted as important towards the positioning, thus findings leading to the organization in its future form required theory to react to the competition within the market. Hence depicted as *flexible issues*. A consolidation with the theoretical framework enforced an inclusion of the concept of *business model innovation*. A further division conceptualizing these levels, the non-flexible (current) and the flexible (future), was suggested by Morris et al. (2005) depicting the levels of decision making as the foundational, the proprietary and the rules level. The primary two corresponds to the conceptualization, hence were employed in this study. They will be further elaborated in the theoretical framework.

In order to depict how to create value through business model innovation, 4 value-drivers was employed as defined by Amit & Zott (2001, 2012); efficiency, loc-in, complementarities and novelty. However, the analysis revealed an emerging issue of value not predetermined in the theoretical framework of the business model innovation theory. This emerging issue was defined as a fifth value-driver, consisting of the contradicting motivational issue of being driven by an aesthetic and expressive purpose, or by a utilitarian purpose. Both the theoretically founded as well as the emerging categories, are relevant to answering the research question, therefore constituting the base for the potential of business model innovation, as well as the potentials and barriers of capturing the value created.

The concept of business models holds a confined scope of research available, hence a body of integrative approaches form the basis for this research. Despite the diversity of the current contributions and understandings, the fact that all companies have a business model is agreed upon by both researchers and practitioners (Günzel & Holm, 2013). Business model theory is therefore not causal, hence consisting of a string of equally important categories collected in order to define a company's value creation and value capture. The dynamic process of business model innovation also varies, thus is comprised as a theory of development, depicted in between the two extremes of research; organic flexibility and structured rigidity (Ibid.). In this thesis the business model framework, and the locus of business model innovation, will be supplemented with auxiliary knowledge on different topics, when found necessary in order to deepen the understanding. Due to the nature of the company of FROST, bringing creative products to market, distinct theories of the creative industries as proposed by e.g. Richard E. Caves (2000) and Lampel, Lant & Shamsie (2000), is applied. Concepts of importance include 'demand uncertainty', the 'differentiated skills



and products', the 'inner necessity' of production, the 'essence of timing', and the 'short product life-cycles' enforcing a 'constant need of innovation' (Caves, 2000; Lampel, Lant & Shamsie, 2000). The concepts are all of a dynamic nature which goes hand in hand with the concept of business model innovation, hence a counter-existence of the two theoretical positions in the thesis is not pre-judged as problematic. Furthermore it does not exclude inclusion of other related perspectives as well as interconnected research and concepts during the analysis and discussion.

#### 4.5. Biases

A necessary consideration in this study is the importance of avoiding an elite bias within the data collection and analysis, meaning: "*Overweighting data from articulate, well informed, usually high-status informants and under representing data from less articulate, lower status ones.*" (Miles & Huberman, 1994; 263). Consequently, as a way of controlling the quality of the study, a focus is laid on collecting a sufficient amount of secondary data, to weigh the words of the informants, all being of a rather high status within the organization. Triangulation is another method of avoiding a one-sided view of a certain theme.

The *going native* bias is a risk in this research, supported by the six months intertwinement in the organization. The bias involves losing your perspective being co-opted or trapped into perceptions and explanations of local informants (Miles & Huberman, 1994). In order to avoid this an aim during the research has been to stay objective, in order to be able to intellectualize on the heard and seen. The fact that the internship was executed without any form of monetary compensation adds to an objective of *no strings attached*, since employees getting a salary is strained by extrinsic drivers to follow the pace at the office. Non-paid interns have lesser incentive in that direction hence no contracts of economic kind. Supporting this, the fact that the research was planned during the internship forced an involvement in the organization with an academic perspective, which further retained the necessary distance.

Another ever present bias is the one of the *holistic fallacy*, interpreting events as more patterned and congruent than they really are (Miles, Huberman & Saldana, 2013), which due to my life-long engagement with the art organizations of Copenhagen represents a genuine bias. Hence the triangulation of data as well as consolidation with theory and secondary data reduces this fallacy.

#### 4.6. Generalizability

FROST represents an interesting however complex and site-specific case. The deep engagement with the complexness of the case limits the grounds for generalizability. Consequently,

transferability to other cases are not admitted as primary goal of the study. The objective is furthermore not to develop grounded theory, but to examine and analyze the case of FROST Festival on a basis of theory, leaving room for emerging categories of universal nature.

*“The generalizability of the case study has been a contentious issue, ranging from the researcher’s analytic ability to find levels of universality in the case (Spradley, 1979, 1980) to frank admission that complex and site-specific contexts problematize the ability to construct theory and, thus, generalization (Clarke, 2005). ” (Miles, Huberman & Saldana, 2013).*

The study can be used as an example of a trend, thus limited towards extension to other cases while the transferability and appropriateness for findings is associated with the level of description and the applicability to comparable settings (Ibid.). Furthermore a limiting factor for the generalizability is represented by the fact that the study lacks probability sampling, primarily applying theoretical and purposeful sampling (Maxwell, 2008).

## **5. Theoretical framework**

In the following the theoretical framework of the thesis is presented. Theoretical choices on the topic of business model, the elements inherent in the framework, as well as business model innovation are elaborated. This will support delineating the research question as well as endorse the operationalization of the findings. The first part of the chapter will give a thorough introduction to the 9 building blocks of the business model framework, being essential in order to create an infrastructure in terms of answering the research question. A dwelling at each element providing examples and thorough reviews will be executed. This constructs a strong scaffolding which is the foundation of the following chapters introducing the innovation theory, the contextual matters, as well as the identification and elaboration of the value drivers employed in the discussion.

### **5.1. The business model framework**

The business model concept emerged in the late 1990’s where internet-based enterprises used it to convince investors of their vast potential (Roelens & Poels, 2013; Morris et al, 2005). Since then the concept has been widely distributed, hence no generally accepted definition of the term ‘business model’ has emerged. Consequently confusion of the difference between business model,

strategy, business concept, revenue model and economic model has appeared (Morris et. al. 2005; Margretta, 2009). The general notion today of the business model framework is that it has strength as a planning tool which, *“focuses attention on how all the elements of the system fit into a working whole”* (Margretta, 2009; 90), while e.g. sole business strategy also includes competition (Ibid.). The creation and capture of value is in focus, hence an early approach to a definition by Amit & Zott (2001) defines a business model as, *“content, structure, and governance of transactions designed to create value through the exploitation of business opportunities”* (Amit & Zott, 2001; 511). A further descriptive variation is proposed by Morris et. al (2005) which integrates different levels of decision-making:

*“A business model is a concise representation of how an interrelated set of decision variables in the areas of venture strategy, architecture, and economics are addressed to create sustainable competitive advantage in defined markets.”* (Morris et al., 2005; 727).

Thus, standing on the shoulders of research from the millennium and onwards, one of the accepted business model approaches in research and practice is the Business Model Canvas by Osterwalder & Pigneur (2010) (Günzel & Holm, 2013), proposed initially by Osterwalder in a ph.d.-study from 2004. It employs a broad definition of the term: *“A business model describes the rationale of how an organization creates, delivers and captures value”* (Osterwalder & Pigneur, 2010; 14). Many of the approaches to defining what a business model is has a hard time clarifying, or even lacks to define, what particular elements are to be found in a business model. Furthermore many discussions use the word business model when in fact only including parts of the business model, an example being an online auction described as a business model, while really being a pricing mechanism (Osterwalder, 2004).

The integrative proposition made by Morris et. al. (2005) furthermore suggests three specific levels of decision making, corresponding to the emerging categories of this research. He labels them the ‘foundation’, ‘proprietary’ and ‘rules’ level. Foundation is used as the level of generic decisions of what the current business model of the company is, proprietary complies the enabling of development of unique combinations, hence entailing *innovation* unique to the particular venue, and at last the rules level relates to operating rules in the execution of the business model (Morris et. al, 2005). Osterwalder et. al. thus suggests that the role of execution and implementation does not belong in the business model framework, due to the fact that:

*“a “strong” business model can be managed badly and fail, just as much as a “weak” business*

*model may succeed because of strong management and implementation skills” (Osterwalder et al, 2005; 8).*

Correspondingly, this ‘level’ is left out of this research, leaving it up to the readers of the paper to conduct change towards capitalizing on present opportunities. The concept, hence no longer restricted to e-business, shows its relevance in various areas of business while the elements dates back to the early conduct of economic trade (Roelens & Poels, 2013).

Several classification methods towards the suggestions of the elements inherent in a business model as well as their inter-relations, are present. In consequence an extensive amount of literature with suggestions of integrative component frameworks for business models identifying the common elements between the different business model views, has appeared. Osterwalder made an extensive study in 2004 comparing the models mentioned with highest frequency. Hence doing an in-depth study of the found components he created a synthesis consisting of nine building blocks. The nine building blocks are further divided into four thematic pillars, constituting the overall essential business model building blocks of a company (Osterwalder 2004; Osterwalder & Pigneur, 2010). Here is an overview:

PARTNER NETWORK	VALUE CONFIGURATION	VALUE PROPOSITION	RELATIONSHIPS	TARGET SEGMENTS
	CORE COMPETENCIES		DISTRIBUTION CHANNELS	
COST STRUCTURE				REVENUE MODEL

*Figure 3: Nine Business Model Building Blocks (Osterwalder, 2004; Osterwalder & Pigneur, 2010; 44)*

The elements are clustered within 4 overall pillars. However, as the map views, the value proposition has a central position, as it is the basic offering of the company, and furthermore the most obvious place to innovate.

The four main areas are influenced by the balanced scorecard made by Kaplan and Norton in 1992. The *product* pillar (red) includes the value proposition offered to the market. Not only as the bundles of products and services, but the way in which it differentiates itself. The *customer interface* (green) includes how and to whom the company delivers its value proposition. The

*infrastructure* pillar (blue) includes the important network enterprise and essentially how the company efficiently performs infrastructural and logistical issues. The *financial aspects* (orange) entails the business model's sustainability within their cost structure and revenue model (Osterwalder, 2004). Other scholars have divided the business model into further and different areas, hence the suggestion of the core of the business model elements as explaining, "*the way a company generates value (value creation) and how it captures some of this value as profit (value capture)*" (Teece, 2010 in Matzler 2013; 30), is generic.

In the following elaboration of the individual building blocks, weight is laid on the managerial purpose, hence elements carrying most importance in terms of value creating in an economical sense in relation to the particular case of this study, is expanded. The business model framework functions as a customizable tool that encourages the entrepreneur to focus on how value can be created on each level, hence both consistency and reinforcement is vital within and between the elements and above that, each element affects and is affected by the other components (Morris et. al., 2005).

*"Companies must work to disrupt their own advantages and those of competitors. Adaptability may require models with loosely fitting elements or introduction of new elements that change the dynamics among existing elements"* (Morris et. al., 2005; 732).

### 5.1.1. Product

#### Value proposition

The value proposition is defined as, "*how items of value, such as products and services as well as complementary value-added services, are packaged and offered to fulfill customer needs.*" (Osterwalder, 2004; 49). Hence, the value proposition represents the reason why customers buy from a certain firm and not from another. Furthermore it can be decomposed into the company's set of elementary offering(s). The value level consists of the distinctive capabilities in terms of innovation; some value propositions may represent a new or disruptive offer while others are similar to existing market offers, but with added features and attributes (Osterwalder, 2010). This notion is elaborated in the following chapter of the theory of innovation.

The price level of a value proposition can vary from free to high-end and also entails the value propositions life cycle including following steps: *creation, purchase, use, renewal and transfer* (Osterwalder, 2004; 50).

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*"There is no business without a defined value proposition, and the creation of value provides a justification for the business entity." (Morris et. al, 2005).*

The obvious example of a disruptive value proposition was when mobile phones were introduced to the market, creating a striking distinction from the land-line phones. A recent example of a changing of value proposition is the Danish music festival SPOT, who, instead of only presenting new and upcoming music acts, last year decided to concurrently offer a film festival. As an addition to their music program they invited individual film makers to present their films through an open call, as well as including a curated film program. In adding this disruptive offering within their value proposition SPOT influenced several of the other elements of their business model, such as catching a new customer segment and differentiating key activities. Thus the films didn't represent a striking distinction to the music, hence also being an experience product.

### **5.1.2. Customer interface**

#### **Target segment**

Selecting a company's target customers is all about segmentation. In general two distinctions of target customers are made between business-to-business customers (B2B), and individual customers also known as the business-to-consumer segment (B2C) (Osterwalder 2004). In choosing which customers to address, a company needs to differ between several types of customer segments such as niche markets, mass markets, a specific segment or a diversified strategy with several unrelated customer segments (Osterwalder, 2010). An example of a business model focusing on a specific segment is The Danish TV channel, TV2 Charlie, who targets *"adults with time on their hands"* (Søndergaard, 2004), also known as the *grey* segment pointing at their hair color. Hence, they display one marketing mix for one marketing segment using a demographic variable. This stands in opposition to their market competitors, hence other TV channels segmentation is often psychographic in a thematic manner such as of news (CNN) and nature (Animal Planet). (Ibid.).

*"The conscious segmentation enables a company to allocate investment resources to target customers that will be most attracted by its value proposition." (Osterwalder, 2004).*

Thus, a good position strategy in terms of segment should be profitable for the company, affordable for the customers, pre-emptive and distinctive. (Kotler, Armstrong, Wong, Saunders, 2008)



## **Distribution channels**

An organization can reach its customers through several kinds of channels. Partner channels, own channels, or a mix of the two. They can be direct, e.g. directly through own website, but they can also be operated through intermediaries in form of wholesale distribution or partner-owned websites. The channels have five distinct phases: Awareness, evaluation, purchase, delivery and after sales (Osterwalder, 2010). At the Copenhagen Jazz Festival the distribution of concerts is managed independently through a string of different concert organizers. From the Festival's official website it is possible to get directions to the locations of purchase, hence the Festival has an extensive amount of intermediaries due to the autonomy of the concert venue managers. The Festival secretary also has self-organized concerts, for which they are in charge of all phases, but for the extensive amount of concert organizers the processes are contrastive.

## **Relationships**

Analysis of customer data can help evaluate the type of customer the company wants to seduce and acquire, as well as spend retention efforts on, defined as their target customer segment. It can furthermore help find ways and mechanisms to extend the duration of the relationship between firm and customer (Osterwalder, 2004). However, recent research implies that customer surveys are an out-dated way to gain information from customers. Several categories of customer relationships exist, hence enforcing different engagement strategies such as personal assistance, self-service, communities and co-creation (Osterwalder 2010; 20). The latter two have experienced enhanced interest within business research lately (Prahalad & Ramaswamy, 2000; Sawhney & Prandelli, 2000). Early literature on customer participation and co-creation largely focus on the economic implications on the trend, simply stating that if customers participate in production it frees up labor costs, hence lowering the market price. A current trend in focus is thus about how co-creation can be used for relationship building and value creation (Prahalad & Ramaswamy, 2000), and how the self-serving bias can enforce this, supported by the fact that customers claim more responsibility for failure in a situation where an outcome is produced jointly (Wolosin, Sherman and Till, 1973 in Bendaputi & Leone, 2003). A study on customer participation supports the fact that the link between outcome quality and satisfaction with the company is affected by customer participation in production further emphasizing that providing a choice of participation can make the customers more willing to take credit as well as blame for an outcome (Bendaputi & Leone, 2003). Hence, this can be irrational if the objective of the outcome is to create personal impact:

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*"if a firm believes the outcome will exceed a customer's expectations, encouraging participation may be less attractive because a customer is likely to claim some of the credit when he or she participates." (Ibid.; 25).*

In the same manner, it might be the case that long-established customers appreciate the company for doing everything for them, hence jeopardizing this loyalty if the process and production is laid out to the same customer (Ibid.). Loyalty regarding giving the important stakeholder group of the customers an ability to get involved, is of increasing importance, according to a Harvard Business School Professor:

*"the new individuals seek true voice, direct participation, unmediated influence and identity-based community because they are comfortable using their own experience as the basis for making judgments" (Shoshana Zuboff in Holden, 2008; 24)*

Participation as well as involvement within the assessment and dissemination of the products hence become natural part of many consumers every-day life. The value is thus increased when considering the democratic aspect.

*"Culture should be something that we all own and make, not something that is 'given', 'offered' or 'delivered' by one section of 'us' to another" (Holden, 2008; 32).*

This suggests a paradigmatic change to the business-to-consumer strategy of any venture.

Several examples of successful co-creation within the cultural industries has been executed within recent years, an example being Roskilde Festival where the camping area called 'Dream City' is 100% build by audiences, hosting around 4000 of the Festivals guests ([dc.roskilde-festival.dk](http://dc.roskilde-festival.dk)). By building their own unique 'dream' camp the Festival experience gets augmented for the co-creating customers, hence letting them create their own value in the locus of the largest Festival in the country.

### **5.1.3. Infrastructure**

#### **Value configuration**

The value configuration of a company is defined by the arrangement of the key activities needed in order to provide the value proposition. The key activities can be within production; designing, making and delivering a product, as well as problem solving; coming up with new solutions to individual customer problems. These encounters can call for related activities such as

knowledge management and continuous training. Management of a platform can also be a key activity when the business model requires that the company continually develop and maintain a such, e.g. eBay.com (Osterwalder & Pigneur, 2010). An example of a distinctive approach to their value configuration is Apple who, despite being a high-tech company, made the *design* of their products count just as much as the technological functionality. In this way they applied a configuration of new key activities in order to successfully deliver their value proposition.

### Core competencies

The resources of a company are a source of the capabilities which allows an enterprise to create and offer a value proposition, reach markets, maintain relationships with customer segments, and earn revenues (Osterwalder & Pigneur, 2010). They can be tangible, intangible or human and categorized as follows: *Physical*, including manufacturing facilities, buildings, vehicles etc. *Intellectual*, such as brands, patents and copyrights, customer databases a.o. *Human*, which are particularly important in knowledge-intensive and creative industries. *Financial*, including both resources and guarantees such as cash, lines of credit or stock option pools for hiring key employees (Osterwalder, 2010; 26). In an attempt to gain control over creation and delivery, many organizations has a drive towards integrating all aspects of the value chain under one umbrella, known as vertical integration. Specialization on the other hand, can allow an organization to concentrate on core competencies and logical tasks, hence enforce flexibility towards creative freedom and innovation. The latter is particularly existent in the creative industries where ventures are often constituted as temporary projects. Thus, the integrated and the specialized companies can be mutually beneficial: *"From an ecological perspective, the innovative moves of a specialist firms could be contrasted with the resources of the integrated studios to increase their chances of success."* (Lampel et. al, 2000; 267). Whether it is preferable to keep the tasks internal in the firm or using the market, also known as the issue of 'make or buy', depends on the internal scale, internal scope as well as the costs and challenges of e.g. using the market including the timing, motivation and communicational issues. A former study of the UK television industry suggested that by moving away from full integration of production and broadcasting relying on external specialists, a reduction of overhead costs was achievable, hence without effecting the quality of the programs (Ibid.). This issue furthermore relates to the value configuration, hence the above example of Apple also represents a driver towards vertical integration, in order to retain greater control over all aspects of the creation and delivery of products. However, the potential reduction of creative

freedom in the push for coordination is present suggesting that flexible specialization requires a balancing of the lack of control. (Ibid.)

## Partner network

Partnerships and alliances are becoming a cornerstone of many business models. Gulati and Singh (1998) define alliances as:

*"Any voluntarily initiated cooperative agreement between firms that involves exchange, sharing or co-development(...)"* (Gulati and Singh in Osterwalder, 2004; 89).

A distinction between different kinds of partnerships are: Strategic alliances, coopetition, joint ventures and buyer-supplier relationships. Hence, different motivations for creating the partnerships exists. Optimization and economy of scale is the most basic motivation for entering a partnership, however by creating partnerships in a competitive environment, reduction of risk and uncertainty can furthermore appear. This is particularly desired in a hypercompetitive environment characterized by uncertainty. A further motivation is the need to acquire knowledge, licenses or access to customers, hence relying on other firms to provide particular resources or perform certain activities (Osterwalder & Pigneur, 2010).

Networks has become a dominant metaphor of our time, defined simply as a system of relationships among parts which can vary as far as from abstract ideas to a neuron network, thus, this paper will has the networks of persons, groups, or organizations as focal point. Resource dependency theory stresses the importance of networks of exchange among organizations and how they create power relations, particularly through exchanges of resources, alliances, and shared directors (Scott & Davis. 2007; 278). Within the art world, complementarity and coherency with the artists vision and reputation are the main motivators for choosing partners, and furthermore, repeated relationships can be a preference in the search of authenticity (Svejenova et. al, forthcoming).

Another type of network is the concept of clusters deriving from work of Michael Porter depicting how nations and regions gain advantage over competitors (Hesmondhalgh, 2007). The foundation of the term is unstable, hence the main theme is considerations on why firms of the same industry tend to gather in the same places. When emphasizing on the notions of innovative entrepreneurialism and competitiveness is a focal point, thus cultural clustering likewise has a number of benefits, including the promotion of cultural diversity and democracy and strategies of

place marketing, in the interests of tourism and employment, among others (Ibid.). Concerning the geographical clustering in project ecologies, *"trade among firms in shifting project networks functions to allocate resources among parallel as well as successive projects with little slack and lag, and firms learn from each other through knowledge spillovers"* (Lorenzen & Maskell, 2004 in Lorenzen & Frederiksen, 2005; 203). An example being within the recording industry where a CD project finds their partners within ecologies of e.g. A&R managers, PR managers etc., often chosen because they have worked together on earlier projects. These ecologies are typically clustered in the major cities of the world, which has as positive effect that their many weak ties and frequent interactions make information about their skills and availability accessible, thus, as a result of these higher levels of trust, transaction costs are lowered (Lorenzen & Frederiksen, 2005).

#### **5.1.4. Financial aspects**

##### **Revenue model**

Revenue is represented by the incoming money stream from the value offered by the company. Sustainable revenue streams are pivotal to the long-term survival of a company. Different styles such as asset sale, usage fees, subscription fees, lending/renting/leasing, licensing, brokerage fees and advertising can generate the streams, hence the logic of earning profits can be approached in terms of the pricing mechanism which is either dynamic or fixed. Different revenue streams can have one or several different pricing mechanism; fixed list prices, bargaining, auctioning, market dependent, volume dependent or yield management (Osterwalder & Pigneur, 2010). The rise of the internet has had a heavy impact on pricing, making it easier to compare prices online (Osterwalder, 2004). The basic ambition and positioning of all businesses includes choosing between different levels within the revenue model of *subsistence*, *income*, *growth* or *speculation*. The *subsistence* model has as goal to survive and meet basic financial obligations, stereotypical to ventures in the creative industries. The *income* model search to generate income streams for the principals, the *growth* model attempts to eventually generate major capital gain for investors whereas the *speculative* model holds a short time frame to demonstrate potential before selling out (Morris et. al, 2005).

The firms ability to achieve relatively higher or lower margins are furthermore to be considered (Ibid.). An example of this is the Indian car manufacturer Tata Group who decreased the price of a car drastically to get Indian scooter-owning families to buy them. This had ramifications for their business model's profit formula, requiring a significant drop in gross margins as well as

reduction in the cost structure. The objective for change arose through knowledge about a potentially huge target base of consumers which ended up increasing their sales volume dramatically (Johnson, Christensen & Kagermann, 2008). The haute cuisine industry contains another example of innovation in pricing models concerning fixed fee restaurants where customers pay at the entrance, as if buying a ticket for a performance. Concurrently many haute cuisine chefs receive additional income via franchising, licensing, product endorsements, consulting and management as well as book publishing. These disruptions to their main offering aids in a market where the cost structure is heavily burdened due to the high prices of luxurious ingredients, the staff-to-customer ratio etc. (Svejenova et al., forthcoming).

### **Cost structure**

This element measures all the costs the company incurs to create, market and deliver value to customers. Low cost structures are more important to some businesses than others, creating a distinction between cost-driven and value-driven companies, taking the level of focus on minimizing costs wherever possible, into account. Many business models, thus fall between these two extremes. Costs take several forms depending on the proportion of fixed costs, variable costs, economies of scale as well as economies of scope (Osterwalder & Pigneur, 2010). As the above example with haute cuisine suggests, the cost structure of the industry was rather troubled, hence one of their ways to decrease costs of labor was by using unpaid interns, called *stagiers*, who works in the kitchens for free, only to obtain learning and career opportunities (Svejenova et. al., forthcoming). In cost-driven companies this is often a way of minimizing costs, hence the Danish media industry has been criticized of their excessive use of interns, letting their interns work for free in several months without securing either salary or an earnest training program. (Navne, Aarsetrup & Hybel, 2014)

#### **5.1.5. Contextualization**

Every company has a business model, and every business model is designed and executed in specific environments, thus understanding changes in this helps adapting the model more effective to changing external forces (Osterwalder & Pigneur, 2010). FROST is a venture within the cultural industries, hence bringing artistic works to market and dealing with experience products such as narratives and performances (Hesmondhalgh, 2007). Their work thus differs in substantial ways from the counterparts in the rest of the economy where creativity plays a lesser role (Caves, 2000).



This entails operating in a nobody-knows market where no statistic ability is present to predict what will actually succeed (Ibid.) involving a continuous necessity for innovation (Lampel et. al., 2000). The market is furthermore hyper-competitive and situated in an environment of shortening product life-cycles. After 4 years of continuously presenting a differentiated product within a static model an urge for change and development within the FROST Festival management has been created. Entrepreneurial capabilities inherent in the creative ventures are, *“the abilities to envision and mobilize action for the exploration and exploitation of opportunities”* (Zahra et al, 2001 in Svejenova, Slavich & AbdelGawad, forthcoming), hence relying on a static business model doesn't meet the nature of these drivers. Business model innovation, on the other hand, offers a dynamic approach towards development as well as reactions to the market competition.

The starting point of all business models is a strong positioning which stems from effective differentiation, hence relates to all the elements of the business model. Matzler et. al. (2013) define the positioning using the following questions, which will support my upcoming assessment of the current case's position in the market:

1: *Which basic customer needs are we trying to fulfill?*

2: *How can we establish and retain a unique position in our customers' minds?*

(Matzler et. al, 2013)

## **5.2. Business model innovation**

According to Schumpeter (1934), five types of innovation can be distinguished: new products, new methods of production, new sources of supply, exploitation of new markets, and new ways to organize a business (Schumpeter, 1934 in Casadesus-Masanell, 2012). He pioneered the theory of economic development as well as new value creation through the process of technological change and innovation (Amit & Zott, 2001). Business model innovation is concerning all of these types of innovation while embracing contemporary needs and potentials.

*“Business model innovation is not about looking back, because the past indicates little about what is possible in terms of future business models. Business model innovation is not about looking to competitors, since business model innovation is not about copying or benchmarking, but about creating new mechanisms to create value and derive revenues. Rather, business model innovation is about challenging orthodoxies to design original models that meet unsatisfied, new, or hidden customer needs”* (Osterwalder & Pigneur, 2010)

Thus, being applicable to all categories within the business model framework, innovation within one element of the business model can have major impact on the other elements, changing the orientation of the entire venture. This emphasizes a systemic view.

### 5.2.1. Incentives for business model innovation

The introduction of new goods and methods of production are often the object of study when analyzing art organizations. This theme is well covered in the academic business literature as well, established as a common way of improving performance. These days, more and more attention is given to the innovative processes of the organizational innovation, depicted as new supply sources and creation of new markets, corresponding to the five types of innovation as defined by Schumpeter (Casadesus-Masanell & Zhu, 2012). There are several incentives for embracing this systemic view, thus a joint study by *Business Week* and the *Boston Consulting Group* declares that:

*“business model innovators have higher and more sustained returns than product or process innovators”* (Lindgardt et al. 2009 in Matzler, 2013).

In a similar study by IBM it was found that companies whose operating margin had grown faster than their competitors' over the last five years were *“twice as likely to emphasize business model innovation, as opposed to product or process innovation”* (Amit & Zott, 2012; 41). The concept of change has thus been present from the birth of the business model framework enforcing business model practitioners to embrace development moving from a current state or business model to a desired state or business model, hence, *“business models are subject to external pressure and thus constantly subject to change”* (Osterwalder, 2004; 10).

An often used example of successful business model innovation is the case of Apple. Even though it is a big player in the MP3 market, a competitor could easily come up with a better device tomorrow. Thus, this wouldn't necessarily challenge the hundreds of millions of consumers who are intertwined in the iTunes *distribution* model cleverly tied to the interface of the Apple products (Amit & Zott, 2012).

An example of trying to enhance the innovation focus in a creative institution is the way that Roskilde Festival a few years back decided to introduce a subsidiary venture called *Orange Innovation*. By letting some employees off their duties with the comprehensive work of organizing the annual Festival their task was to work on inventing projects in order for the Festival to tread

new ground (orangeinnovation.dk). The COO of Roskilde Festival thus recognizes a challenge in this construction, isolating the innovative endeavors to one single unit:

*“What you actually did was to isolate the innovation to something that went on in an individual department (...) you made a strict division between operations and innovation.”* (COO Roskilde, 2014; 6).

Her view corresponds to how the engagement of a systemic view of the business model of Roskilde Festival was not emphasized. The focus was solely laid on developing new products, potentially losing out on the engagement of innovation in the rest of the organizational units.

Business model innovation is crucial to the survival of a company since it represents an often under-utilized source of value, hence it is found to be more difficult to imitate or replicate the entire business model, than a single product or process. By addressing *how* business is done the balance between innovation costs and benefits can be transformed and utilized within new value-creating activities, proposing that it is by changing and developing the *distinctive* elements that you change the business model (Amit & Zott, 2012). A study on business model innovation within the Danish newspaper industry reveals that due to the digitalization of media, despite of a continuous innovation of the newspapers' business model elements, no evidence was found that they had taken into account how the innovation approaches could inform and build on each other, suggesting that:

*“separate business model innovation processes can even be harmful, if they are not linked to other efforts, since this can disrupt the business model logic”* (Günzel & Holm, 2013; 19).

This favors a holistic coordination, a systemic view of the business model innovation processes in order to capture all potential value.

### **5.2.2. Innovation in the market context**

Within the production of creative products, few innovations, referred to as product originals, have radically new functions, rather they are created to fulfill existing market demands, also known as the process of customization.

There are several ways to make a new product. Product differentiation, adds new elements to existing products, seeking competitiveness in markets where cost-based competition has been replaced by ‘values’ or ‘experiences’, and where product cycles are short (Lorenzen & Frederiksen, 2005). Customization takes place when products are developed to meet the specific demands of a

customer. However, the innovation within the creative industries also engage with the creation of pure novel products being a driver for many artists. This represents an act of balance.

*“The committed artist may face a choice between “normal” creative work to serve an extant market and innovative effort to break open an avant-garde frontier” (Caves, 2002; 204).*

Thus, pure novelty has a hard time creating a broad appeal. Consequently, high costs of adoption appears when innovation in creative activity rejects existing conventions, and requires that a new set is established and learned by consumers (Caves, 2000).

The innovation process can develop on different levels; *revolution* as explained above, *exploration*, varying via a combination of new routines, skills and people with extant routines, skills and people, and *exploitation*, where improvement of the product is enforced via routines, skills and people, assembled in new combinations. An example of an exploitation process within the so-called humdrum industries is in the market of laser printers where innovation often spring from costly and purposive efforts drawing on scientific and engineering knowledge, and succeeding merely because they *renew* or make the product *function* better (Caves, 2002). The short product life-cycles are thus not exclusive to the creative industries, hence the laser printer market also encounter with competitors who are able to copy their innovations fast (Matzler, 2013).

The perception of innovation as a process on several levels challenges the common believe that any creative product, in the market, that isn't just a replication of an existing product, can be defined as an innovation. This is supported by the fact that in all new creative products antecedents and forerunners can usually be found. Hence, the authoratization of quality within the creative industries, requires assessment from the surrounding factors:

*“Establishing what ranks as an important innovation is a process that involves the flow of information and exchange of views (buzz) as well as the overt economic responses of all the participants – artists, gatekeepers, certifiers, consumers.” (Caves, 2002; 202).*

Music festivals often employs the innovation process of either exploration or exploitation, while either combining new design and content within the well known concert format, or merely deepening or renewing the elements of an old concept. The customers appreciates these forms of innovation, hence expressing a wish for novelty, but at the same time wanting their products to be accessible and familiar. Producers should thus seek to differentiate their products while not making them fundamentally different from others in the same category (Lampel et. al., 2000).

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A balance present within the entire business model framework is the enforcement of making conscious choices on a macro level to keep some elements constant while differentiating others, and on a micro level to maintain elements of familiarity within the singular offerings.

### **5.2.3. Innovation in a project ecology**

Due to their nature of temporality, and to cope with the highly dynamic environment, festivals are often organized as projects. A project refers to a temporary endeavor undertaken with an agreed and predefined time frame. It is usually task-driven as it brings together and coordinates specialized skills, resources, and knowledge, required to complete the project. Thus, at completion, the temporary construction vanishes (Svejenova, Strandgaard Pedersen, & Vives, 2011). Due to their organic and flexible structures, projects are an efficient way to organize when innovating through customization and differentiation, especially in the early phase (Burns & Stalker, 1961 in Lorenzen & Frederiksen, 2005). An ambiguity of the project format relates to the *learning* and how the temporary organization encode lessons from experience, which represents a challenge in terms of reassuring coherence and integrity of the organization over time. The relational context of the project can however store knowledge and become a rich learning environment.

*“Even highly singular projects are usually influenced by the wider enduring interpersonal networks and epistemic communities in which their participants are embedded”* (Cattani et. al., 2011; xx).

The network of a festival consists of an extensive amount of players, hence the main carriers of innovative products are the involved artists creating the content which the festival presents. The uncertainty of demand is thus just as large a risk for the festival as it is for the artist, both trying out solutions without knowing if it will work or not (Lorenzen & Frederiksen, 2005).

### **5.2.4. Value-drivers**

Amit & Zott (2001) divides the business model into three general design elements; content, structure and governance, building on the theory of the value chain as proposed by Porter (1985) (Amit & Zott, 2001; Morris et. al, 2005). They thus explore the primary activities involving both the creation of products including inbound logistics, operations, outbound logistics, marketing and sales, as well as services, leaving out the financial aspects as they relate to value capture. Thus, they do acknowledge an interdependency between business and revenue models suggesting that it

complements the business model design and can vary from related to inextricably intertwined. They outline that:

*“the greater the total value created through the innovative business model, and the greater a company’s bargaining power, the greater the amount of value that the company can appropriate”* (Amit & Zott, 2012; 2001).

Their general way for business model innovation to occur involves four value-drivers, capturing the forces towards driving the value creation. These will be applied, hence also including the locus of value capture by including the financial model corresponding to the scaffolding of the so-called *epicenters* of business model innovation, as proposed by Osterwalder & Pigneur (2010). They emphasize that each of the nine business model building blocks can be a starting point for innovation, including the revenue model, hence the innovation is *resource-driven*, *offer-driven*, *customer-driven*, *finance-driven* or when having significant impact on several building blocks *multiple-epicenter driven* (Osterwalder & Pigneur, 2010). The latter will not be discussed in this research. Correlated, one of four objectives lays the foundation for business model innovation: Satisfaction of unanswered market needs, bringing new technologies, products or services to market, improving, disrupting or transforming an existing market with a better business model, or creating an entirely new market (Osterwalder & Pigneur, 2010). Thus, relating to the value chain framework innovation is addressing *what* activities a firm should perform as well as *how*, ergo, looking at the configuration of the firm’s activities in enabling the adding of value as well as the capturing of this value. Porters (1985) defines value as:

*“the amount buyers are willing to pay for what a firm provides them (...) measured by total revenue.”* (Porter, 1985, in Amit & Zott, 2001).

The *what* and *how* are also the essence of a business model according to Matzler et. al. (2013) who states that, *“An effective business model innovation will always embrace these two aspects”* (Ibid.; 32). Therefore, a business model that cannot turn a portion of their added value for customers into profit has a poor revenue logic, and furthermore if a company has high profits but low or no added value for customers, it makes them vulnerable to attacks from rivals with new business models (Ibid.).

The different interlinked value-drivers, proposed by Amit & Zott (2001, 2012), are applied in order to increase the odds of adding value when innovating on the business model:



- *Novelty* captures the degree of business model innovation embodied in the activity system, such as new (combinations of) products, services and information, bringing in new participants or new incentives for e.g. customers to create content.
- *Lock-in* is referring to those activities creating enhanced incentives for customers to stay and transact within the activity system, e.g. the afore mentioned strategy at Apple connecting the interface of iTunes to their high-tech products enforcing customers to stay with the company.
- *Complementarities* represents the value captured among the interdependencies within activities, e.g. when an external venue-manager at Copenhagen Jazz Festival decides to bring in an internationally acclaimed artist to play under the Festival brand, paying for fees and accommodation himself, this has a value-enhancing effect on Copenhagen Jazz Festival.
- *Efficiency* refers to cost-savings through interconnections e.g. when a company invents an activity system which helps the company keeping costs low, thus creating a competitive advantage. An example being Wal-Mart who's sophisticated infrastructure helps them keep its costs lower than its competitors, though offering the same products.

(Ibid.)

As mentioned these value-drivers of business model innovation only comprise the three blocks of structure, governance and content, as defined in their framework. However they don't abandon the relation to the financial aspects. Thus what is defined as value capture in this paper takes this stand-point into account while primarily letting the chapter of finance-driven innovation focus on the generation of revenue and cost savings consequently arising from the three other elements.

#### 5.2.5. Individual expression

The level of motivation proved an important issue concerning business model innovation in this particular case. The following will elaborate on the specific motivations and triggers of innovation relevant to a company based in a creative market context, hence relating to a balance between being triggered by intrinsic values such as the working tasks and culture, and the extrinsic values such as the contracts of the market.

Svejenova et. al. have depicted a feature unique to projects within the creative industries suggesting that managers of creative ventures work with an individual force of expression as motivational factor, depicted as working for a passion (Storr, 1985 in Svejenova et. al., 2011).

*Projects of passion* are distinctive from *projects of profit* since they address individual motivations associated with vision, callings, and values. Profits are not excluded within projects of passion but serves a secondary pursuit. Furthermore they are defined by the fact that the customers have little or no say, as the vision originate from the artist or entrepreneur (Svejenova et. al., 2011). Niche festivals, the focal point of this study, are, especially in the initial phase, often constituted as projects of passion, since the overall vision and values is raised above the pursuit of capturing a profit. Svejenova et. al (2011) have drawn out a theoretical model outlining the main components for understanding the dynamics of projects of passion. *Project motivation* represents the reasons for initiating the projects, the two major triggers being freedom and novelty; the creative freedom of working unrestricted on the realization of original ideas. Thus, these drivers can only be sustained through a sound business model allowing the generation of basic revenues. The business model and rhetorical strategies represent the *project mechanisms*. The rhetorical strategies represent a driver to win over audiences and stakeholders, who in terms of *project outcomes* needs to perceive the original motivation truthfully; the authenticity must be intact in order to reach the desired impact (Svejenova et. al, 2011).

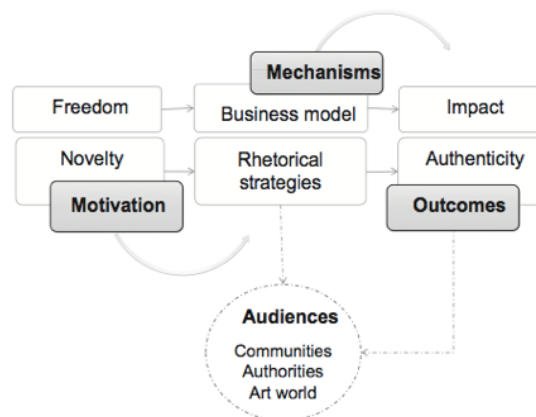


Figure 4: *Projects of passion, theoretical model* (Svejenova et. al., 2011)

### 5.3. Operationalization of theoretical framework

In order to follow and visualize the process of this study's theoretical reasoning in relation to the analysis and discussion, the following model was formed:

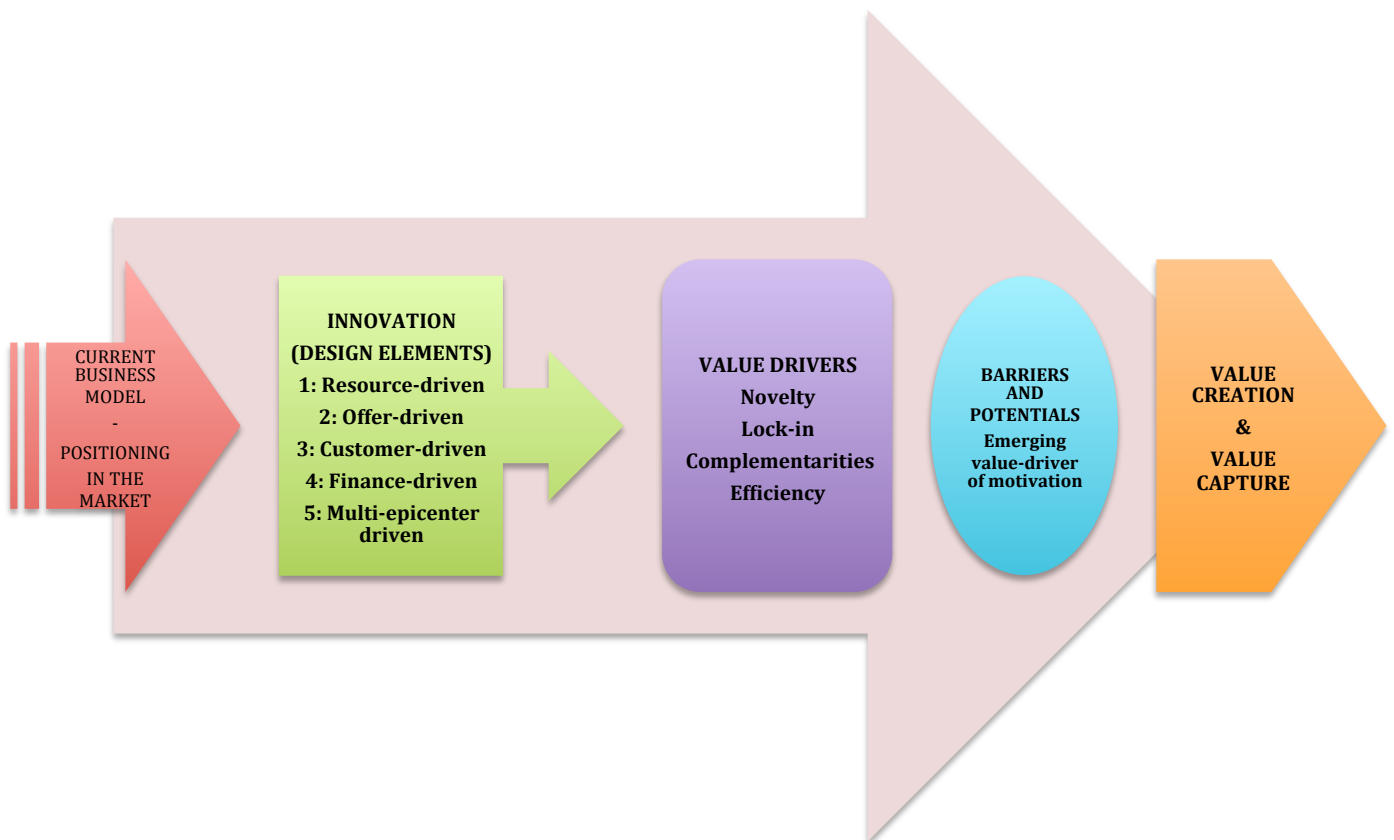


Figure 5: Process model, progression of the analysis & discussion chapter

#### 5.3.1. Barriers

Important barriers of business model innovation relate to the execution level, which is not explored in this thesis. Hence the following are depicted as relevant to this case.

In order to execute innovation of business models, managers need to take a step further from interpreting the business model, they also need the authority to undertake experiments, as well as being able to take actions based on the results of those tests (Chesbrough, 2010). A challenge arising in this process is, when relying on a CEO of a small company to lead this change, that, *“they likely rose to their position via the current business model, which is now deeply familiar – even comforting – while potential alternative models will be unfamiliar and may even seem threatening”* (Ibid.; 361). This barrier requires a strong organizational culture in order to make the local objectives of the individuals of the organization give way to the imperatives of the larger whole

(Ibid.). This relates to the *competencies trap* of organizational learning, representing a second barrier where maladaptive practices are favored over new ones, often experienced in environments of specialization. This has consequences for the value capture, as this second barrier persists on using a set of procedures that is far from optimal (Levitt & March, 1988). Other barriers in the process of catching potential value include the level of absorptive capacity in a firm, referring to the firm's ability to, "*recognize the value of new information, assimilate it, and apply it to commercial ends.*" (Cohen & Levinthal, 1990; 129). The concept implies that prior knowledge facilitates the ability to use and exploit new, related knowledge. Thus, if a firm wants to exploit unrelated knowledge in terms of their ongoing activities, dedicated effort to create absorptive capacity must be executed.

The different barriers adds to the fact that researches of effective business model innovation encourages a systemic and holistic thinking instead of undertaking isolated, individual choices (Amit & Zott, 2012).

## 6. Introduction to the case

In the following, an introduction to the background and history of FROST Festival is executed before moving on to the analysis and discussion of the case.

### 6.1.1. Background and history of FROST Festival

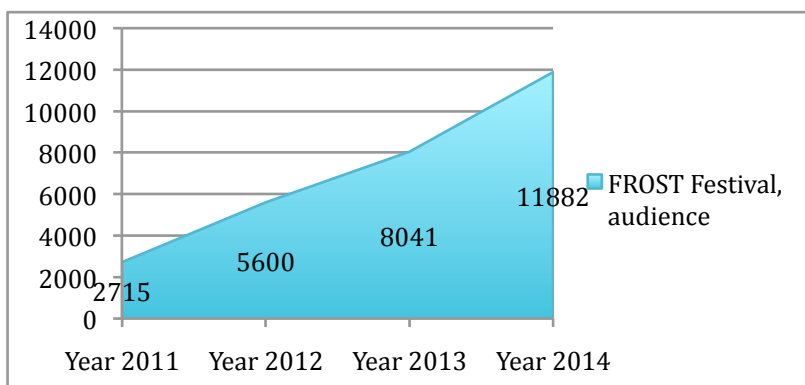
In 2010 Wonderful Copenhagen<sup>1</sup> initiated an event campaign under the name *WonderCool*. The venture was established to enforce the tourism in Copenhagen in the cold and dark month of February. The mission of WonderCool was to collect the events of the active ventures of the city in a shared storytelling and PR campaign. All the ventures were working within a broad specter of the cultural industries such as fashion, gastronomy, architecture and music. In the forming of WonderCool an initiative concerning the rock genre of music was lacking, hence the only other partnering musical venture was the Winter Jazz Fest (part of Copenhagen Jazz Festival). Through networking efforts, they asked one of the partners of the established Copenhagen-based music venture, Volcano, if they would be interested in creating a festival within this particular genre to be part of the WonderCool initiative. Volcano operates within artist management, venue management of Bremen Theatre in Copenhagen, as well as running a consulting business called Volcano

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<sup>1</sup> Wonderful Copenhagen is a network organization working for the expansion of business and leisure tourism in the Capital Region. ([www.wonderfulcopenhagen.dk](http://www.wonderfulcopenhagen.dk))

Concepts. Furthermore, at the time, they also had a booking agency. They consequently determined that within their current product mix, adding a festival made sense (CEO, 2014; 5)

The first edition of FROST appeared in 2011, as a kind of pilot for the project, thereby displaying a sustainable format to be continuing. The initial mission of the Festival was to create and present experiences which challenged the audience's way of comprehending music, by taking the music out of its conventional context, and present concerts in new and unexpected locations. They invited Danish and foreign artists across the rhythmic genres to play at the Festival, emphasizing a high level of quality. The artists was then paired with a suitable concert setting, creating a complex experience, taking both the surroundings and musical product into account. This is still the Festivals mission pursued further by Mikael Pass (from now on CEO) who in 2012 was hired by Volcano to run the Festival, enabling the partners of Volcano to work on other tasks, non-related to FROST. In 2013 FROST was moreover set apart from Volcano with its own company structure (ApS), only connected to Volcano by the coinciding four owners as well as a shared location of office (CEO, 2014; 5). The four accomplished Festivals have followed a steady growth rate in terms of audience numbers. This chart shows a graphic presentation of the development:



*Figure 6: Audience development, FROST Festival (Appendix 6)*

## 7. Analysis & discussion

The first part of the following chapter will analyze the empirical findings on FROST in its current form as extracted from the transcriptions of the interviews with the CEO as well as the owner. A matrix divided into the leading concepts of the business model categories containing coded information, will lay the foundation. This will be supplemented by secondary data in order to create a thorough analysis of the business model in its current state. The decision making level is

thus *foundational* hence displaying which elements currently distinguishes FROST from other Festivals. I will conclude the chapter with a view of the Festivals positioning in the market.

The following chapter will then comprise an analysis of the business model in a potential future state, hence extracted from a matrix consisting of future findings. This will include the CEO and owners' reactions to the market context, manifesting and discussing the undertaking of the Festival in detail in terms of making business model innovation. Hence, the decision making level will be *proprietary*.

Employment of findings from the secondary sources, such as the interview with the COO of Roskilde Festival as well as subsidiary sources, will enforce a comprehensive perspective. A focus will be laid on identifying value-drivers and objectives leading to business model innovation, though contemplation and perspective employing viewpoints from not yet introduced research, will be present.

## 7.1. Business model of FROST – foundational level

### 7.1.1. Empirical findings, coded matrix #1 – current form

CUR REN T	PRODUCT	CUSTOMER INTERFACE			INFRASTRUCTURE			FINANCIAL ASPECTS	
	Value Proposition	Target segment	Distribution channels	Relationships	Value configuration	Core competencies	Partner network	Cost structure	Revenue Model
CEO	<b>1.1</b> Tailored cultural experiences – claim-to-fame <b>1.2</b> Differentiated, including, enhancing audience experience <b>1.3</b> Conventional concerts	<b>2.1</b> PRIMARY: Middle-aged, culturally interested. <b>2.2</b> SECONDARY: Young first-movers	<b>3.1</b> Earned content <b>3.2</b> Own channels + ticketlinks in media <b>3.3</b> Small capacities means sold out fast <b>3.4</b> Timing is crucial	<b>4.1</b> Direct mail-outs <b>4.2</b> Interaction /community making through social media <b>4.3</b> Group of volunteers	<b>5.1</b> MAKE: Idea generation, production, PR, booking, administration <b>5.2</b> BUY: technical crew, ticket vendor <b>5.3</b> Loss of org. learning <b>5.4</b> Dependency on interns	<b>6.1</b> Team effort <b>6.2</b> Strong brand	<b>7.1</b> FROST exists out of sum of good relations. <b>7.2</b> Artistic and practical stakeholders <b>7.4</b> Volcano delivers exposure and valuable networking. <b>7.5</b> Network delivers synergies.	<b>8.1</b> High production costs <b>8.2</b> Emphasizes quality but is still cheap <b>8.3</b> Love of work, not salary <b>8.4</b> Delivers professional product at low price	<b>9.1</b> Target customers wants to pay more <b>9.2</b> Could have sold 10 times as many tickets at the special events. <b>9.3</b> Requirement of no revenue with public funds makes it hard to go for profit

<b>OWNER</b>	<b>1.1</b> Unique experiences	<b>2.1</b> Mature audience <b>2.2</b> Culturally interested Copenhagen ers.	<b>3.1</b> Audiences who react fast gets the limited tickets = reaching first-movers	<b>4.1</b> Have tried to get inputs - hard to work with while people don't know conditions	<b>5.1</b> Activities are very seasonal. Only one year-round full-time employee.	<b>6.1</b> The CEO works on all levels. <b>6.2</b> Brand is a strong resource .	<b>7.1</b> Volcano maintain and expand FROST network. <b>7.2</b> Importance decreasing for Volcano. <b>7.3</b> Not acknowledged as a part of Volcano externally	<b>8.1</b> Cross-over events create brand-value but are profit-losing events.	<b>9.1</b> The brand is mature to monetize on <b>9.2</b> The audience volumes are too low to monetize on.
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Figure 7: Coded matrix of empirical findings on the Festival in its present form.

### 7.1.2. Product of FROST

#### Value Proposition

The main offering of FROST Festival is their musical events presented throughout the month of February. In 2014 the Festival presented a total of 20 individual events. FROST invites Danish and foreign artists to play at the Festival, emphasizing a high level of quality, hence not being committed to a specific musical niche, but embracing all rhythmical music. The CEO defines the key offering, depicting it as the claim-to-fame:

*"to create tailored cultural experience, having their focal point around rhythmical music, creating extraordinary rhythmical concert experiences in alternative locations."* (CEO, 2014; 2)

The mission of FROST is to take the live music experience out of its conventional settings, such as the concert halls and the regular venues, in order to enhance the musical experience as well as the involvement from the audience. The CEO believes that your senses are triggered and augmented when displayed to well-known music in an un-known setting. He emphasize on the creation of a holistic experience where the music is contextualized and consequently experienced in new ways (CEO, 2014; 2). This can be defined as a cross-aesthetic or cross-over experience combining an element of a certain artistic quality with an element of something "gimmicky" and recognizable.

Bringing forth an example of a key offering, the first thing that came to mind for the CEO was an event from the 2012 edition of FROST. The Danish multi-instrumentalist Frisk Frugt, playing music inspired by travels on the African continent, transformed the Palm Tree House in the Botanical Garden of Copenhagen into a bewildered, subtropical venue. In the month of February the audience could then get an experimental artistic experience inside a humid, 25 degrees warm

greenhouse, wearing shorts and holding a tropical drink in the hand (CEO, 2014; 2) thereby augmenting their awareness and perceptual level. Examples of cross-over events in the 2014 edition includes an alternative electro rock band playing in an empty shark cage in an abandoned aquarium, a grime-singer playing at an ice skating field and a Caribbean inspired singer-songwriter playing at the bottom of an emptied swimming pool at an alternative, 'cold pool party' concert. Denmark's largest newspaper Politiken wrote about FROST:

*"The hallmark and distinctive feature of FROST Festival is a highly developed sense of turning around well known venues and discover new, unconventional concert locations"* (Jensen, Politiken, 2012).

Which suggests that the media has grasped the storytelling spelled out by the Festival, and acknowledged the cross-over events as the key offering. The Danish newspaper Information supports this, in a review of this years Festival:

*"With originality and aesthetic sensibility FROST Festival has, in their fourth year, successfully staged concerts in untraditional and at times disintegrated locations"* (Ullman, Information, 2014).

FROST thus also present some of their artists in conventional concert venues, which are suitable for larger capacities of audiences. The inclusion of these venues provide an easier way of attracting international headliners who are on tour, and who do not have time and effort to engage in alternative set-ups. FROST furthermore engage in co-productions where their only task is to curate music and/or appoint their brand and PR/marketing efforts. The 2014 program also included two FROST-parties where no engagement other than brand-name was affiliated. For mere revenue creation, another product is also on offer. For a certain amount of money you can become a commercial sponsor of FROST Festival, hence the authenticity and brand of the Festival makes FROST a relevant partner. The Festival is consistently working on selling more sponsorships, hence wants the cooperation to make sense in terms of shared values and limited demands.

#### VALUE PROPOSITION #1: Concerts

*FROST cross-over:* cultural experiences tailoring a rhythmical music experience to an alternative location.

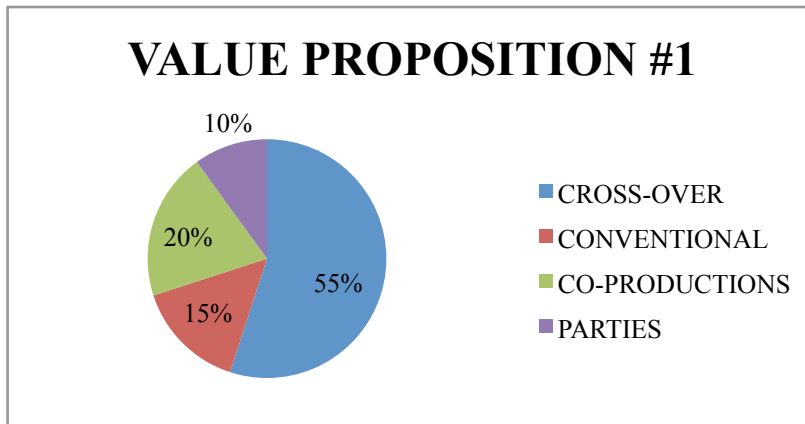
*FROST conventional:* musical experiences in well established venues.

*FROST co-productions:* musical experiences where FROST only curates content and adds brand.



*FROST parties:* Mid-term - and final party with DJ's.

Overview of the distribution in percentage of value proposition #1:



*Figure 8: Chart of division of offerings (Appendix 5)*

#### VALUE PROPOSITION #2: Sponsorships

*FROST sponsorships:* The tangible products offered for sponsors include free tickets, visibility on banners, website and within press material as well as special networking events.

### **7.1.3. Customer interface of FROST**

#### **Target segment**

FROST has from the beginning worked with different groups of target costumers, hence deciding on one group has been an area of focus in the preparation of this years Festival (CEO, 2014; 3). Both the owner and the CEO determines the target segment as the broad cultural consumer. The PR strategy propose a target segment of the 2014 edition as follows:

Aged between 28-35
Close to finishing studies or have worked a few years, mainly within the creative industries, the media, or as academics.
Interested in arts and culture, not emphasizing on the commercial genres.
Curios, aesthetically aware, and always in search for original experiences.
Might have a first-born baby, hence chooses cultural consumption carefully

(Appendix 4)

There is no completed audience surveys of FROST, thus an analysis made by the FROST PR team included the statistics of the Facebook page where an analysis of the followers reveals that

52% is between 25-34 years old, corresponding well to the set goal. The general observation of the Festival audience also recognizes the trend of an audience of mature adults, including several couples. (Ibid.)

#### TARGET CUSTOMER #1: Concert-goers

*Specific segment, B2C:* 28-35 years old, broad cultural consumer.

#### TARGET CUSTOMER #2: Sponsors

*Mass market, B2B:* In relation to their wishes of growth and profitability, FROST seeks to attract more commercial sponsors.

### **Distribution channels**

The diffusion of information from FROST to the public happens through a wide range of sources and interrelations. The physical concert tickets are distributed through an online ticket vendor, hence links and directions toward the website of the ticket vendor is provided throughout the channels.

#### DISTRIBUTION CHANNEL #1: Ticket vendor

*Official ticket vendor:* In 2014 'Billetlugen' had this undertaking, hence also providing FROST with an economical contribution.

#### DISTRIBUTION CHANNEL #2: Owned channels

*FROST, own website:* [www.frostfestival.dk](http://www.frostfestival.dk), containing direct links to online sales vendor.

*FROST, social media:* [facebook.com/frostcph](https://facebook.com/frostcph), [twitter.com/frostcph](https://twitter.com/frostcph), [instagram.com/frostcph](https://instagram.com/frostcph)

*FROST, flyers and posters:* the Festival prints a large amount of posters and flyers disseminated throughout Copenhagen.

#### DISTRIBUTION CHANNEL #3: Not-owned channels

*FROST partners & network:* WonderCool, SMK, CPH:PHIL, Volcano a.o. represents vital channels in delivering the value proposition. Hence, they also support the diffusion of information via their online channels, providing endorsement as well as direct links to ticket sale. Furthermore, the strong networking skills of the CEO provides the Festival with important endorsement via the network participants private channels, such as personal Facebook and Twitter accounts.

*FROST audiences:* FROST recognizes a loyal audience group who represents an important diffusion channel via their endorsements and dissemination using e.g. word-of-mouth.

#### DISTRIBUTION CHANNEL #4: Media

*News papers, blog's, radio, TV etc.:* A diverse range of media sources plays an important role in the promotion of concerts, often carrying direct links to FROST's website and ticket vendor. Both in terms of earned journalistic content as well as through bought content in marketing campaigns.

The distribution channels has 5 distinct phases. This matrix shows their respective activities within the particular phases:

5 PHASES →	AWARENESS	EVALUATION	PURCHASE	DELIVERY	AFTER SALES
<b>#1: Ticket vendor</b>			Online sales	By email or regular post	
<b>#2: Owned channels</b>	Website and social media, newsletters and press releases	Communication on social media			Video-documentation, communication on social media
<b>#3: Not-owned channels</b>	Word-of-mouth, partners, networks	Word-of-relevant-mouth			Communication and further endorsement
<b>#4: Media</b>	Earned and bought media content				Reviews, reportages

*Figure 9: Activities of distribution channels*

### **Relationships**

The consumers pursuit of acquiring tickets is what provides the revenue streams. In order to sustain the relationship, FROST keeps an active communication policy within their social media channels in the months leading up to the Festival, thereby trying to strengthening the community-feeling around their brand. In the 2014 edition one of the tools towards creating a conversation with the consumers was competitions directed to the users e.g. guessing from which 'secret' location a picture was taken (CEO, 2014; 3). FROST also encouraged their audiences to join as a volunteer at the Festival offering insights to the activities within Festival production as well as a socializing with employees and other volunteers.

#### RELATIONSHIP #1: Customer communities

*FROST customers:* encouraged to engage in competitions and communication on social media channels.

#### RELATIONSHIP #2: Volunteer group

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*FROST volunteers*: gets a view of activities within Festival production as well as social encounters.

#### 7.1.4. Infrastructure of FROST

##### Value configuration

The key activities are varying throughout the year, hence a compressed amount is assembled in the six months leading up to the Festival where a project team is collected to masters the different tasks.

##### KEY ACTIVITY #1: Preparation (April – July)

- funding, budgeting, hiring, conceptualizing (CEO)

##### KEY ACTIVITY #2: Designing (August – January)

- idea generation, venue scouting (CEO, production manager, interns)
- booking & contracting (booker + CEO)
- awareness & networking (PR team + CEO)

##### KEY ACITIVITY #3: Executing (February)

- production management, administration, coordination, PR & Marketing (whole team)

##### KEY ACTIVITY #4: Evaluating (March)

- accounting, documentation, evaluation (CEO, production manager, PR manager)

##### Core competencies

The CEO works year-round, and is to this date the sole full-time employee. The owner describes him as indispensable, hence he has skills on all needed levels to execute a festival: *"Not many people can deliver what Mikael does"* (Owner, 2014; 4).

In the end of August the complementary paid project-staff as well as the unpaid interns are hired. The settled team works together in the Festival office until the Festival is executed and evaluated in the beginning of March, as described above. The unpaid interns and the volunteer group is a further important temporary asset, while the Festival does not have nearly enough finances to hire staff on regular salaries. Consequently, the only sustained human resource is the CEO, while the project workers' contracts terminate by the end of the Festival. In the 2014 edition the organizational structure in the six months leading up to the Festival looked like this:

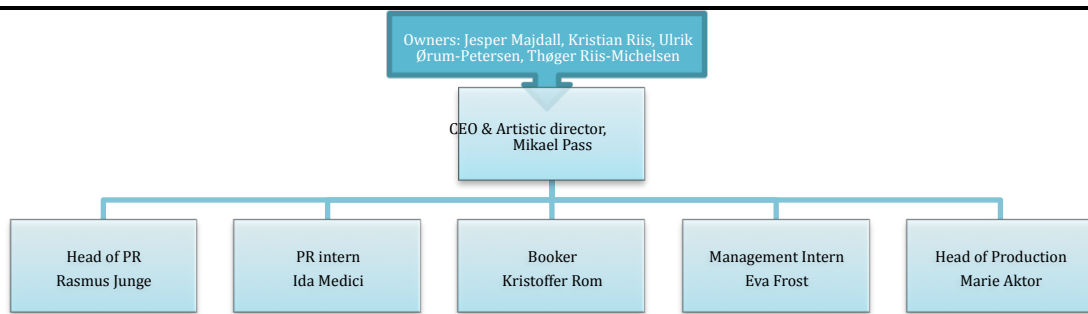


Figure 10: Organizational structure of FROST Festival 2014.

### RESOURCE #1: Human

*CEO:* Contains skills within all the Festivals activities and is the sole year-round hire.

*Owner group:* does not engage in direct activities concerning the execution of FROST, hence they comprise an important source of coaching, impact and network. They are also the owner group of Volcano.

*Temporary project staff:* Hired in august, and begins from scratch, unless the CEO is lucky to get last years employees back.

*Intern/s:* Dependence on dedicated intern/s who will work six months for no fee. (CEO, 2014; 4)

*Volunteer group:* Hired to execute practical issues on the Festival.

### RESOURCE #2: Physical

*FROST office:* Located in the creative cluster of Volcano.

### RESOURCE #3: Intellectual

*FROST brand:* Represent a valued intellectual property.

### RESOURCE #4: Financial

*Long-term sponsorships/funding:* Line of credit supporting the sustaining of the Festival.

*Owners:* provides economic security for sustaining the position of the CEO.

## **Partner network**

The CEO has stated that, "*FROST exist out of the sum of relations*" (CEO, 2014; 5). The lack of physical resources supports the fact that the partner network represent an important non-physical asset. The network comprise a scope of artistic, practical and commercial partners and collaborators.

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### PARTNER #1: Artists & artist managers

*International artists:* Provides acknowledgement both locally and abroad. They often play in the conventional venues.

*Local artists:* Are more willing to engage in the alternative settings, hence flexible towards rehearsals and soundchecking.

### PARTNER #2: Co-creating partners

*Cultural institutions:* Provides value-exchange. FROST contributes with brand and ideas and receives endorsement, assets and infrastructure. The value-exchange is furthermore beneficial in terms of audience development and fulfilling of requirements to the municipality (CEO, 2014; 5). Examples: The National Gallery of Denmark (SMK), CPH:PHIL, Bremen Theatre.

### PARTNER #3: Location managers

*Non-cultural venues:* In terms of the delivery of the key offering several alternative locations is needed where no musical events have ever happened before. They provide physical resources but can constitute a communicational challenge in terms of making the incentives of executing the event understandable. An example being the manager of a sports arena who did not understand the incentives of having a concert in the bottom of their emptied swimming pool. He saw it as a broke down area, not able to fulfill any need, hence the lack of chlorinated water. Other examples: The National Aquarium, King Christian IV's Brewery.

### PARTNER #4: Owner group

*Volcano:* The four owners of FROST also own the creative venture of Volcano. The first two editions of FROST was created within the company of Volcano, thus now the only formal connection is the owner group and location of office. Volcano works within artist management, PR, consulting and venue management, all of which are activities related to the management of a Festival.

### PARTNER #4: Commercial sponsors

*Financial sponsors:* Expect a deal of influence in terms of the Festival being a representative of their values. They want to feel included in the preparations of the Festival as well as the managing of the PR and marketing campaigns. In return they provide a monetary contribution and/or provide physical supplies at free or discounted disposal. Examples: Royal Beer, Sennheiser, Wonderful Copenhagen, hotel chains etc.

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### PARTNER #5: Funds

*Public & private funds:* Provides substantial funding, hence a comprehensive application process lies ahead of receiving significant contributions. Examples: Arts Council, Local municipalities, Nordea Fonden etc.

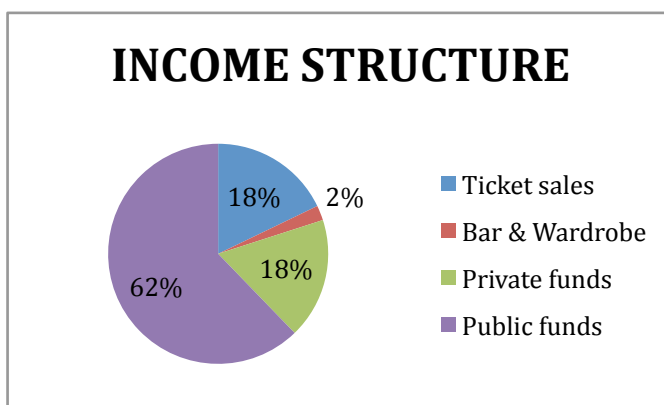
### PARTNER #6: Infrastructure

*Technical suppliers:* The fact that the venues are new at every event demands a close partnership with a flexible technical supplier. FROST has had a continuing partnership with the same company for all the years of existence, obtaining an economically opportune discount rate while the company sees prospects in the learning and acknowledgement they get from working with FROST. Examples: ETP (European Tour Production), Europcar etc.

## 7.1.5. Financial aspects of FROST

### Revenue model

FROST is constituted as a private limited company (ApS). Thus, since their financial foundation are based upon public funds with specific requirements of a non-profit regulation, there is a disparity between the company construction and the revenue model. The Festival currently has one source of generating revenue: The month-long Festival in February. The subdivision of revenues generated during the Festival period is displayed in this diagram:



*Figure 11: Income structure, FROST 2014. (Extracted and calculated from confidential annual report)*

The pricing mechanism of the tickets sales on FROST is based on fixed prices following the market (CEO, 2014; 7). The prices has been raised every year, thus the CEO believes that the originality of the product could sustain an even further raised ticket price (CEO, 2014; 7). He

furthermore believes that some of the flagship concerts could have been selling more than 10 times as much as they did, but due to the small capacities of the venues a potential revenue source was blocked (CEO, 2014; 7).

The fact that there are less capacity regulations at the conventional concerts, suggests that there is a comparably larger revenue to generate from presenting more conventional concerts. The high production costs involved in creating the cross over concerts add to this fact. The CEO states, in relation to the Frisk Frugt concert in the Palm Tree Garden, that it wasn't financially sustainable, and that without, *"support from elsewhere"*, the tickets should have been around 1000 DKK per piece (CEO, 2014; 2). Consequently, the value of these events are not monetary but represented by the value of the enhanced press awareness and identity creation from these particular events (CEO, 2014; 2). The potential of selling more tickets is proved by the fact that only 13% of the tickets were not either sold out or free as the total occupancy was 87% as mentioned earlier (Appendix 6).

### Cost structure

FROST is mainly a cost-driven company but with a strong emphasis on elements of a value-driven approach. Thus, they are always searching to minimize costs in every possible way, but don't compromise on the professionalism of the production. As the below chart reveals, a substantial amount of the cost incurred goes to production (31%), and employees (36%). Together they demand more than triple of what is provided to musicians (19%). This proves an emphasis on the professionalism of the organization, standing in opposition to a more loose structure where a larger volume of concerts could be executed, hence the quality level of service and production would be compromised.

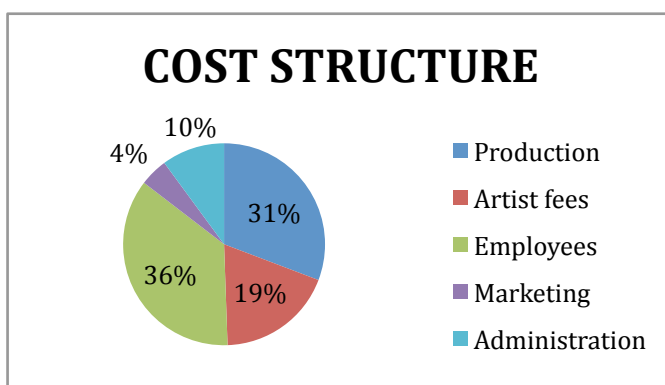


Figure 12: Cost structure, FROST 2014. (Extracted and calculated from confidential annual report)



## 7.2. Positioning

The above gives a thorough view of FROST's current business model, analyzing on findings and data within the framework of the 9 building blocks. During the analysis, some of the elements of the Festival proved more important to maintain, than others. Hence, the thorough examination suggests a pool of *fixed* elements, depicted as a base of defining FROST's positioning in the market. The fixed elements are displayed in following scheme:

CATEGORY	FIXED ELEMENT	CLARIFICATION
Value proposition	Offerings augmenting the experience of art, triggering senses and enhancing involvement from audiences.	<i>Presenting an 'indie' rock band inside the shark tank of an abandoned aquarium - taking musical experience into an unanticipated context.</i>
Target customer	After 4 years of searching it is now determined who the target segment is.	<i>Mature cultural consumer between 28-35 who values unique experiences.</i>
Resources	CEO, Winter event (branding)	<i>The CEO strengthened the brand to what it is today and works on all levels. The strong connection of FROST to Winter, should not be interfered with.</i>
Partner network	Good relations are the foundation of FROST	<i>Without a strong partnership network across both the creative and humdrum industries FROST wouldn't be able to deliver their offerings</i>

Figure 13: Fixed elements supporting the positioning.

FROST's position in the market defines which basic customer needs the Festival is currently trying to fulfill. Apart from having as declared mission to engage audiences in novel ways by triggering their senses, combining several types of features, the Festival also wants to be anticipated as innovators sustaining their impact on industry-level. They also weigh their collaborative approaches highly, since their current key offering is dependent on a strong partner network. Strong positioning also depends on the ability to occupy a unique and attractive place in the minds of the customers and collaborators, hence their branding as a winter event as well as unique offerings should be clearly communicated. This is currently done through various distribution channels as well as being dependent on the CEO's personal engagement and ability to answer the question "why" he is doing what he is doing. The basic questions regarding a company's positioning, as proposed by Matzler et. al (2013), can thus be answered as follows:

*1: Which basic customer needs are we trying to fulfill?*

An elaborative approach to cultural experiences augmenting the perception through cross-aesthetics will fulfill the curiosity of audiences and challenge the traditional way of engaging with art. While being situated in the month of February an incentive to go out in the otherwise dark and cold month is evoked.

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2: *How can we establish and retain a unique position in our customers' minds?*

A constant approach towards being innovative will sustain the unique position of being acknowledged as forerunners, hence the continuous communicational efforts will support this comprehension.

## **8. Business model innovation**

### **8.1. Business model of FROST – proprietary level**

The following will move to the findings relating to the *future* of FROST, extracting what the owner and CEO views as *proprietary* elements defined as any unique approaches to one or more of the foundational components of the business model of FROST (Morris et. al., 2005). This includes potential reactions to the market pressure, hence will reveal relevant objectives and value-drivers. The chapter is divided into the four design-elements, creating a comprehensible frame for discussing potentials and barriers in terms of both the creation and capturing of value. As mentioned earlier, a large scope for innovation exists within each model component, hence this discussion is not exhausted, leaving room for further investigation of the current case. The division can be used to identify patterns among decision choices, thus the relative importance of the component innovation varies depending on the market characteristic, for what reason perspectives on these will be included concurrently. (Morris et. al, 2005).

The business model innovation theory supports the interpretation of inherent contradictions, hence further topical theoretical perspectives and understandings will be employed throughout the chapter. In the end of each chapter two examples of innovations with that particular design-element as driver, is proposed. A matrix will display these two examples, basing them on the findings of the analysis of FROST, the consolidated research and theory as well as the researchers own imagination. It emphasizes a holistic view hence including examples of implications for the other business model elements. These are not exhausted, hence merely touching upon an execution, or *rules*, level. Many more implications can and will arise in an in-depth analysis, as well as in a constitution process, thus this research will not move to reflection and analysis of the depicted implications.

### 8.1.1. Empirical findings, coded matrix #2 – future form

FUTU RE FORM	PRODUCT	CUSTOMER INTERFACE			INFRASTRUCTURE			FINANCIAL ASPECTS	
	Value Proposition	Target segment	Distributi on channels	Relatio nships	Value configura tion	Core competen cies	7. Partner network	Cost structure	Revenue Model
CEO	1.1 Feel that primary goal is reached 1.2 Complementary offerings possible	2.1 Target segment is now settled	3.1 Wants to offer combi-tickets 3.2 Small venues and "Sold out" is distributional barrier.	4.1 Co-creation, user driven content, can threaten the connecting thread.	5.1 Need of more diffusion of responsibility	6.1 Has said no to consulting work so far due to lack of resources	7.1 FROST as a platform of extended collaborations with architectural and light-industry. 7.2 Volcano only close collaborator	8.1 Changing key offering might save a substantial amount of production costs.	9.1 Large potential audience group meets sold out 9.2 15% higher ticket-price. 9.3 No merchandise or advertising space
OWNER	1.1 Cross-over market is saturated 1.2 One yearly peak not enough, new peak e.g.: summer event 1.3 Potential for other offerings 1.4 FROST wants to be innovative – ahead of trends	2.1 Wants to attract customers from other cities than CPH – tourism obligations	3.1 Sold-out = excluding, but has potential 3.2 Ticketsales from a pop-up shop	4.1 'Failed' audience inclusion might make things worse.	5.1 Need year-round/off-peak activities to sustain larger secretary	6.1 Can't settle with one employee. 6.2 Need new motivational factor = monetize on brand	7.1 Collaboration with retailers 7.2 Different main sponsors for each event	8.1 It's a question of future objectives if we choose to make cross-over events for 100 people	9.1. Time to monetize on the brand. 9.2 Letting cross-over events go is letting incentives of public funders go 9.3 Attracting com. sponsors are harder but more interesting

Figure 14: Coded matrix of empirical findings on the Festival in its potential future form.

## 8.2. Offer-driven innovation

### 8.2.1. Potentials

The owner and the CEO express corresponding definitions of the current key offering, however the objectives for future offerings differ.

The owner expresses a concern regarding the key offering facing the down-turn of a trend. He has a sensing feeling that audiences are getting saturated with cross-over events where the focus is cross-aesthetic and one is located in a peculiar setting. He compares it to the new nordic cuisine where he suggests that people are, "getting tired of the demands of having an ant running around your plate" (Owner, 2014; 5). He believes that trendsetters are currently moving towards something with a simple and pure message, and believes that FROST should react to this trend, in order to keep their image of being innovative (Owner, 2014; 5).

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*"people get like this: "let's have a pure concert", where we don't need to think in cross-aesthetically products, in a weird room, and all that stuff.." (Owner, 2014; 5).*

Their need of keeping this image is spelled out by the owner:

*"We could easily continue out of this road, but if FROST is being innovative it doesn't make sense to say that you found the most innovative product, so now we stay in this place .. that would be against the nature of innovation .. " (Owner, 2014; 5).*

Regarding the key offering, the cross-over concerts, the CEO states that they are FROST's claim-to-fame, and the reason for the Festival to be regarded as noteworthy (CEO, 2014; 2). However, he also disclose that he feels that FROST has reached the goal of the primary ambition, as set in the birth of FROST (CEO, 2014; 7). This indicates that the current product life-cycle is reaching the end, and that the value proposition of the cross-over concerts in their current form are obstructable whenever a new meaningful objective is at hand. However, the CEO still has his mission towards triggering the senses of the audience by combining something well-known with something unexpected, intact. And this doesn't include an easy way out:

*"Why are we doing this. It's extremely hard work, there is a lot of uncertainties related to it, it would have been a thousand times easier just to rent a venue and then present a concert with Frisk Frugt. But that's done so many times a year and a lot of other people does that just as fine. So you can say that FROST's eligibility is to do exactly these things." (CEO, 2014; 2).*

He thus emphasizes a variation of the cross-aesthetical aspect, not abandoning it but digging deeper into the concept:

*"It is also one of the areas in focus at the moment (..) to discover the architectural world, light designers etc. and to integrate them in FROST. That has potential for development, as I see it" (CEO, 2014; 7).*

Besides being driven by *novelty*, hence introducing new products, or combinations of products, the inclusion of partners' resources has *complementarities* as value-driver, enforcing enlarged access to complementary products from partner firms. When FROST e.g. lets the light designer of the Festival present his artistic endeavors within the FROST context it represents a source of value. (Amit & Zott, 2001). However, it stands in opposition to the owner's wish is to move away from the cross-aesthetic field. Hence, his concerns are further directed at the

surrounding factors, suggesting that the storytelling of FROST which creates the media coverage could also be facing a decline, hence having told a similar story for four years (Owner, 2014; 5):

*"A time will arrive when Politiken and Information can't keep on telling the same story on the third or fourth year"* (Owner, 2014; 5).

Furthermore, the owners wishes of innovation are not proposed for his own sake, but directed towards answering the needs of the market:

*"When you, yourself, begin having a tiring feeling of hearing about it, then it probably also reflects in other people at some point .. that's how I feel right now."* (Owner, 2014; 5)

And, as he continues, he emphasizes that in an attempt to be forerunners and keeping up being seen as innovative, luring feelings should be taken seriously and should enable change. This has foundation in the *lock-in* value-driver. When corresponding to the perceived 'tiring feeling' within the public, it means trying to make them stay with the company of FROST, not moving to competitors. (Amit & Zott, 2001). It thus represents a way of personalizing the offerings towards a particular segment, enforcing consumers who wants to be ahead of trends to stay with FROST. Therefore, even though the owner wants to stay innovative, his basic motivation is towards the value-driver of *lock-in* reacting to the trends in the market. Whereas the CEO is driven by *novelty* introducing new products or combinations of these, not listening to the wants and needs of the consumers. Despite the fact that he furthermore seeks the driver of *complementarities*, while capturing the partners value creation, he wants the artistic say, not compromising on his mission in order to capture a larger monetary value.

Regarding the value capture, an even sharper division appears in the fact that the owner expresses an objective towards the cost-savings at hand; represented by the value-driver of *efficiency*. He suggests that while disrupting the key offering an opportunity towards reducing the costs related to the cross-over concerts appears. He believes that in order to sustain the cross-over events effectively, the choice of financing is consequential. Hence, he depicts that it is *"(..) either through funding or through increasing the capacity to make money on the other events. That's it. If not, you have to say, fuck it, we can't afford to move into locations where we can sell 100 tickets"* (Owner, 2014; 5). This statements captures the main contradiction within the owner's and CEO's views of the future offering of FROST. Thus not being related to the mere value creation where they both have a general wish of keeping FROST innovative however focusing on different

elements. Their main contradiction is however displayed within the motivational objectives on how this value should be captured, hence if a main goal of efficiency is utilized or if the deepening of the product enforcing novelty is the objective.

Another potential towards value capture relates to the adding of complementary products to the value proposition. The CEO and the owner agrees that it is possible to add several subordinate offerings to the Festival, hence representing a way to create revenue without disturbing the experience product offerings. The owner states that:

*"Within FROST I believe that we have build up some potential and experiences which can be employed in a lot of situations."* (Owner, 2014; 3)

This corresponds to a current trend in the creative industries creating profit on inherent resources within the organization, not only the experience products. It can comprise of introducing a string of complementary offerings which can cover the loss of the current key offering, as well as make an additional profit. Svejenova et. al. (forthcoming) relates to this as, *"business opportunities geared towards revenue generation through the introduction of new products that leverage artists' talent and brand as well as new activities that guarantee resources for sustaining creative work."* (Svejenova et. al., forthcoming). Examples includes management and consultancy for others, media-productions among others. The owner suggests a summer event, created to enhance audience volumes in a simple concept, being more attractive to commercial sponsors. (Owner, 2014; 4)

This also relates to a value-driver of *novelty* by comprising an introduction of new products and services. The motivation is however not to stay ahead and keep on being seen as innovative, the motivation is to employ extant skills in order to gain new sources of revenue, furthermore emphasizing the value-driver of *efficiency*. However, these offerings could not be sustained without the main undertaking of FROST, creating a backbone that allows the accumulation of reputation and expertise (Ibid.). Examples of these are displayed in the matrix below. (figure 15)

### 8.2.2. Barriers

A potential barrier inherent in interfering with a core element of the business model concerns that FROST is a rather small company where the current CEO 'grew up' with the old business model. Even though he wasn't the initiator of the Festival, he possess the credit for making FROST a strong brand working on sharpening and developing the concept, *"I was hired, strengthened the*

*concept, created the storytelling.*" (CEO, 2014; 7). However, he further explains that, *"I feel that we have reached the goal of the ambition that was set in the beginning of FROST"* (CEO, 2014; 7). This suggests that despite of the CEO's strong relation to the current concept, his wish of growth and expansion helps overcome that a transformation of the value proposition could be uncomfortable. The fact that he is a "hired gun" traditionally suggest a motivation of extrinsic drivers such as contracts, thus it is viable that the CEO works with FROST as a project of passion, where the motivation includes triggers of novelty and freedom as well as an outcome of acknowledgement and impact. Furthermore, since the CEO is not also the owner, he might have a more flexible relationship to change. The owner on the other hand expresses an urge for his company to be perceived as innovative, thus his strongest wish is of extrinsic nature, creating a profit on his successful brand.

### 8.2.3. Two examples and implications

The following example of offer-driven innovation is based on the above discussion as well as both theoretically based, and own ideas, corresponding to the theme of the proposal. This is done in order to give a comprehensive exemplification. The implications are furthermore merely suggestions to what could incur, hence presented to underline the importance of a holistic view, enforcing that when interfering with one element, consequences for the other elements emerges.

PRODUCT	CUSTOMER IMPLICATIONS			INFRASTRUCTURE IMPLICATIONS			FINANCIAL IMPLICATIONS	
Value Proposition	Target Segment	Distribution Channels	Relationships	Value Configuration	Core Competency	Partner Network	Cost Structure	Revenue Model
<b>#1.1:</b> <b>ELABORATING CURRENT OFFERING</b>  By emphasizing on the innovation process of exploitation and exploration, an offering elaborating on the current cross-aesthetical experience products are introduced. Partnering with related artistic institutions. Emphasizing on the motivator of passion and enlarging the innovative and inner wants and needs of the Festival management	Sustaining of small capacities can compromise on target segments' access to tickets.	New focus of awareness might create confusion for media.  Media might be tired of telling the 'same' story.	Customers wants and needs not taken into account.	Continued loss of organizational learning sustained when no off-peak offerings.	Need of creative skills and knowledge.  Brand value sustained.	Strengthening relationship to co-creating partners and artists.  Attracting public funds, sustaining public network.	Maintained production costs.  Enhanced PR costs when marketing new products.	Need of attracting public funds in order to deliver offerings.

<b>#2.1: ADDING COMPLEMENTARY OFFERINGS</b>  Introducing a string of complementary offerings. E.g. creating a wrist-band event over several days during summer season, adding a consultancy business employing extant skills, licensing concerts to media, masterclasses in relation to concerts a.o.	Need of attracting new customer segments in new markets.	Different approaches towards both B2C & B2B markets.	Keeping B2B & B2C relationships/communities active year-round.	Need of new skills within consultancy & sales.	Need of complementary staff sustaining year-round activities.  New angle to brand.	New strategic alliances and partnership.  Potential for new sponsors and joint ventures.	Higher employee costs.  Need of initial investment to create infrastructure and attract customers.	New offerings creating revenue.
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*Figure 15: Two examples of offer-driven innovation*

### 8.3. Customer-driven innovation

#### 8.3.1. Potentials

Both the CEO and the owner state that the Festival initially was in need of a target segment of first-movers in order to recognize and strengthen the brand, however a determination on a target segment of the mature cultural consumer is now settled, as mentioned earlier. In this regard a disparity is present concerning who the distribution channels are actually directed at. The early announcements of Festival acts get picked up by niche blog's that mainly attract first-movers, pointing to the fact that the awareness efforts are directed at the wrong target segment. This, in combination with the small amount of tickets available due to the capacity limits of the venues, represents a barrier of engagement of the target audience, explained by the owner:

*"The thought was that it should be including, but it becomes excluding because it suddenly becomes a thing for a very concentrated group of audiences who reacts very fast to things. Who are not necessarily the target audience."* (Owner, 2014; 2).

The CEO adds to this point, stressing that potential costumers are lost due to this fact:

*"As a producer it's cool that there is sold out, but it's clear that there is a potential audience group who never gets to be part of FROST even though they really want to."* (CEO, 2014; 3).

So even though the Festival does succeed in getting a broad media coverage, the efforts are misguided so when the media coverage is executed, most of the tickets are already sold out. Currently the only channel of purchase and delivery of concert tickets is a ticket vendor, representing a classic ticket distribution channel. The owner thus has a wish of complementing the



ticket service by selling tickets through a pop-up shop, which he finds to be an ideal solution (Owner, 2014; 2). Though this would be a more personalized way of selling tickets, a more effective way to engage audiences are through community building and co-creation. Both methods are increasingly used in order to become more involved with customers, facilitating connections, and even moving beyond the traditional customer-vendor relationship by inviting customers into the inner processes of the company (Osterwalder & Pigneur, 2010). The CEO expresses a wish in that direction:

*"I think it could be interesting to make more user generated content, to make that kind of user involvement. We haven't dared to do it yet, also because I think a force of the Festival is that there is a red thread in everything we do and what we want. And if you then invite someone in.. I mean.. something need to come out of it .. like okay, we were actually heard and it was actually used, my idea was taken seriously"* (CEO, 2014; 3).

Sawhney & Prandelli (2000) believe that it is unavoidable to start exploiting the customers knowledge and ideas within the company borders. They propose a mechanism for managing distributed innovation called 'Community of Creation', offering possibilities to capitalize on the creativity of both partners and consumers:

*"In this business environment, firms can no longer produce and manage knowledge autonomously. They need to co-operate with their trading partners and customers to create knowledge."* (Sawhney & Prandelli, 2000; 24).

The balancing of order and chaos is emphasized, and the traditional favouring of centralization and control of innovative actions (closed innovation) is balanced with the open market-based model (open innovation). The community is governed by a central organization acting as a sponsor and defining the rules for participation, which in this case would support the keeping of a 'connecting thread' as the CEO enforces. Value is thus created through the coordination mechanisms involving the socialization of one's individual knowledge and contributing to a joint output that is superior to the sum of the individual parts (Sawhney & Prandelli, 2000). This can be defined as the value-driver of novelty by emphasizing new incentives such as the customers creating content (Amit & Zott, 2001). Thus, drivers of both *lock-in* enhancing the importance of the community concept in order to keep the customers loyal towards FROST as well as *complementarities* increasing access to complementary information from customers. The step towards actually engaging a co-creation strategy such as 'Community of Creation' does require

courage. Hence, the owner expresses concerns about the successful accomplishment of such endeavors:

*"I like the idea about co-creation but it is really hard to live up to because there are so many unknown factors all the time from idea to process and then to actually try and create an event. So it's this balance of if you want to give people a say but then in the end don't use it.. then you probably turn out worse than before.." (Owner, 2014; 4)*

A growing body of theory on experience design where consumer-produced co-creation is in focus, has gained recent attention (Larson, 2009), emphasizing that audiences are considered the most important stakeholder of a festival. However, despite this fact, not much has been written about co-creation of *events* in particular. A study by Lanier and Hampton (2008) suggests that *"consumer participation in the festivals evolves from co-optation, to co-production, to co-creation, and then back again as consumers develop and modify their fantasies to enhance their engagement of the experience"* (Lanier & Hampton, 2008), suggesting that the process concerns several steps and is of comprehensive nature, and one should not lose the grip when initiating the process.

### **8.3.2. Barriers**

Even though co-creation can happen on several levels, the CEO of FROST does not express a remarkable will towards letting go of control. He emphasizes order, hence an introduction of chaotic elements can add to his fear of losing the connecting thread. Furthermore, other barriers than the loss of control are present. The emphasis on a long-term relationship with the audiences is stressed as important by Grabher (2002), especially in terms of *"generating trust which is regarded as a normative precondition for successful learning and innovation, particularly when complex tasks are involved."* (Grabher, 2002). The limited duration of FROST, only peaking once a year, poses a challenge hence because FROST is a producer of complex products, a need to seek possibilities to sustain the relationship throughout the year is more evident, not only engaging during the peak period of February and the months leading to the Festival.

### **8.3.3. Two examples and implications**

The following example of customer-driven innovation is based on the above discussion as well as both theoretical based, and own ideas, corresponding to the theme of the proposal. The three elements in the customer interface block is thus collected to give a comprehensive exemplification. The implications are merely suggestions to what could incur, hence presented to underline the

importance of engaging a holistic view, enforcing that when interfering with one element, consequences for the other elements emerges.

PRODUCT	CUSTOMER INTERFACE			INFRASTRUCTURE IMPLICATIONS			FINANCIAL IMPLICATIONS	
Value Proposition	Target Segment	Distribution Channels	Relationships	Value Configuration	Core Competency	Partner Network	Cost Structure	Revenue Model
Emphasis on uncompromising innovation	<b>#1.2: MAINTAINING CONTROL.</b>  Sustaining innovation within the four walls of the Festival office, avoiding to loose the connecting thread by dispersing knowledge. Maintaining the same target segment.			Dependent on idea generation within team.	Dependent on "love of work" and creativity of employees.	Control with what to offer partners.	Potential need for paid creatives	Need of attracting public funds.
Offering what customers want.  Interlocking via engagement and costumization	<b>#2.2: COMMUNITIES &amp; CO-CREATION.</b>  Introducing co-creation e.g. utilizing the 'Community of Creation' mechanism, and emphasis on sustaining a year-round community as an active method of consumer engagement. Reaching potentially larger audience group via communities.			Need of management of innovation (balancing chaos and order)	Complementary staff to sustain trust via year-round community.  New angle to brand.	Community representing interesting asset for strategic alliances and partners.	Need of initial marketing campaign for community	Potential savings of employees replaced by customers.

Figure 16: Two examples of customer-driven innovation

#### 8.4. Resource-driven innovation

The CEO continuously speak of FROST as a platform for other peoples projects, expressing a wish to augment its current functioning as a coordinator of events made by co-creating partners such as cultural institutions and individual artists. In this way not loosing the artistic control, and still having the curatorial responsibility of the proposed events.

*"FROST is more like a platform on which projects are created under a common brand, a common aesthetic, and a common connecting thread, in relation to special events"* (CEO, 2014; 5).

The statement displays an objective of not being afraid of creative inputs from partners, thus keeping the shared aesthetic thread as a main objective as elaborated on in the offer-driven innovation chapter.

The collaboration with partners is an important endeavor according to Larson (2009), who states that most innovation within festivals actually happens in the collaboration with the network

of partners. In an analysis of three Swedish festivals she finds that innovation to a great extent happens with the help of external interest groups. She emphasizes that:

*"festival organizers need to reflect on their network and relate strategically to how their partners can contribute to successful festival innovation"* (Larson, 2009; 288).

As mentioned earlier, FROST has an extensive network of partners that it is extremely dependent on and who already, for a large part, carry significant impact on the organizations' capacity to generate its offerings. As the CEO bluntly puts it:

*"FROST exist out of the sum of good relations."* (CEO, 2014; 5)

Thus, their main operational environment is not competitive, but it is rather based on symbiotic relationships among resource users. There is furthermore no barriers towards enhancing these types of engagements to other cities of Denmark or even abroad, to attain the vision of FROST as an internationally acclaimed festival, as the CEO expresses a wish towards:

*"I think FROST in 10 years is an international winter event, not just for Copenhagen but for at least also northern Europe, and preferably the rest of the world too. (...) Where you take the basic concept and basic identity and use that it is build around a brand. (...) That's a clear ambition"* (CEO, 2014; 8)

In opposition to the CEO's proposal of engaging in more creative partnerships the owner brings up a wish for engaging in more collaborations with commercial partners on the market, but on another level than the well-known 'main sponsor' approach where the festival has one or more main sponsors that get dispersed credits within the entire festival display.

*"One of my thoughts was (...) to take each event, and then engage a commercial venture in it (...) not having one, two or three main sponsors, but trying to find a main sponsor for each event by itself. I feel that there is a point in that."* (Owner, 2014; 2)

The sponsor-based business models are growing in the market, and Casadesus-Mazanell and Zhu (2012) suggest that they will become feasible in an ever-increasing number of industries (Casadesus-Mazanell & Zhu, 2012). The owner goes as far as to say that the brand could represent the main source of revenue streams. This constitutes a value-driver of *efficiency*, acknowledging that the owner is 'tired' of creating strong brands and wants to make money:

*"We have reached the goal with FROST, so the next task is to pressure yourself and say what is*

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*the next motivational factor, which is not just keeping it at bay, I don't think any of us would find that very interesting. (...) so the next goal must be to monetize on it. And that must then be the brand, because it's not possible with the volume."* (Owner, 2014; 4).

Tapping into the brand value is a traditional persuasive factor for sponsors, just as getting something in return from the firm's consumers is. This often results in a reduction of quality of the offered good or service, e.g. e-book readers exposed to advertisements while reading (Ibid.). However, being a field often explored with an exquisite focus on the external impacts, recent studies have proved how sponsorships can also benefit from the internal assets of the creative company (Comunian, 2009). In a festival context this suggests turning around the perspective and instead of selling the customers time and attention, the inner processes of the company of FROST could be on offer, building on the fact that:

*"companies in the future will need interesting content, information and creative ideas that the cultural sector can provide."* (Ibid.; 208)

The exercise is thus to open the commercial partners' eyes towards the effective tool of the knowledge assets of FROST in order to satisfy their customers' need of stories and authenticity. FROST's CEO states that he has received several offers concerning using FROST as an external organizer from companies who want to tap into the knowledge and innovative capabilities of the Festival.

*"some things has been offered to us that we have chosen not to catch because we didn't have the resources (...) I need some people to draw in so I don't have to do it all alone"* (CEO, 2014; 7).

A festival who has sustained such a business is Roskilde Festival who since 2005, apart from their commercial collaborations, has employed a subordinate department offering e.g. concept development and campaigning of other ventures. Both within relating and unrelating areas such as the opera venture 'Opera Hedland' and the development and production of the TV-transmitted nationwide fund-collection 'Danmarks Indsamlingen' (Theimann, 2014).

In general, the fact that FROST builds up an enormous amount of knowledge each year only to let the resources go, due to lack of off-peak activities, is a motivator for complementary offerings featuring more activities to sustain a festival office year-round. Hence, to monetize on knowledge requires that the knowledge is preserved within the organization, and not dispersed to networking partners and collaborators or simply lost due to shifting teams.

Making FROST a platform for related institutions and individual artists' projects represents a value-driver of *novelty*, hence introducing new partnerships as well as links between participants entailing an unprecedented quality and depth (Amit & Zott, 2001). It furthermore engages the value-driver of *complementarities*, by being an example of supply chain integration where activities of participants create value for FROST. The same two value-drivers are present in the introduction of an enhanced number of commercial collaborations, thus this endeavor would furthermore be driven by *efficiency*, providing access to a number of services on offer where costs are incurred and where scalability is possible.

The elaboration of the partner network also entails an enhanced requirement of stakeholder management. In 1984 Freeman advocated a broad definition of stakeholders as *"(..) any group or individual who can affect or is affected by the achievement of the firm's objectives"* (Freeman in Getz et. al 2008; 201). Hence, the above introductions would take form as both collaborators, joint ventures, co-opetitions as well as mere sponsors. This entails several domains at stake, relating to a recent tendency in stakeholder management concerning the tripple bottom line (TBL) approach, taking three bottom lines into account, defined as the environmental, social and economic domains. As the 'Primary Stakeholder Map' shows, the TBL approach combines generic and context-specific knowledge of stakeholder theory (Hede, 2007).

*"Managers of special events need to develop strategies that encourage communication between stakeholder groups with the express purpose of promoting acceptance and subsequent support for a diverse range of interests"* (Hede, 2007; 20).

A map outlining the stakeholders and their interest in the different TBL domains shows us how the interest is mostly towards economic and leaning less towards environmental domains. Even though the map was created for special events, including both festivals, major events and mega events, I find it suitable to use in the case of FROST. The framework suggests that a stakeholder strategy for FROST could succeed in not narrowing the specific type of stakeholders down to one type, but that the festival should identify which stakeholders are at hand, and which stakes they have. As presented in the Special Events Map, the stakeholders on the organizational level are primarily concerned within economics, which is also the current case at FROST.

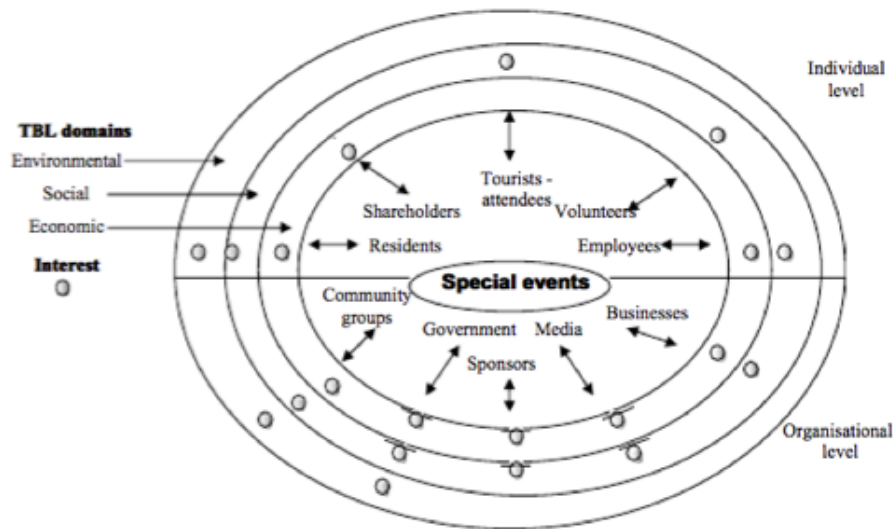


Figure 17: TBL Primary Stakeholder Map (Hede, 2007: 19)

Below is an analysis of FROST's stakeholders drawn in to the TBL map:

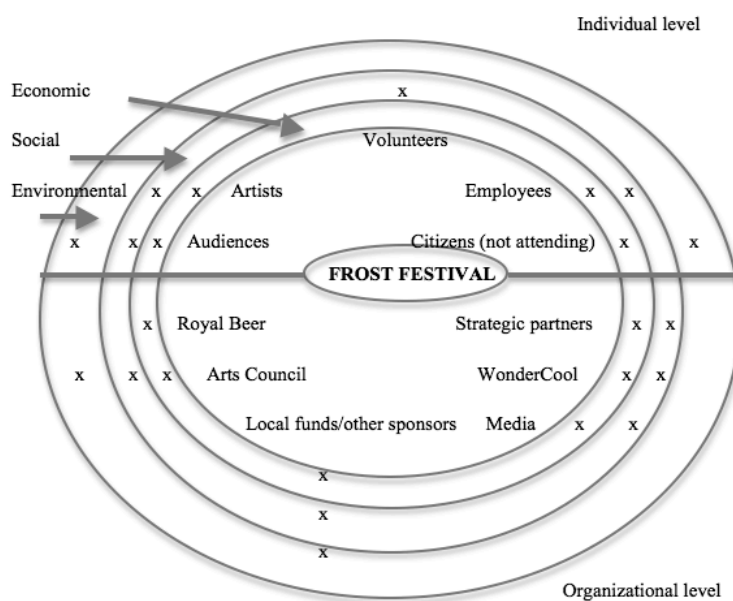


Figure 18: FROST's TBL primary stakeholder map (x = interest)

The knowledge gained by analyzing FROST's stakeholders through the map helps outline the commonalities between stakeholders, and suggests how a streamlining of activities towards them could be created (Hede, 2007; 19). This could include initiatives taking synergies between the stakeholders into account, hence when engaging with either commercial or creative collaborators

the holistic view would prove beneficial. The study further benefits the social impacts on various sources:

*"(...) there does appear to be a growing interest from the public sector with regard to the social impacts of special events. Given the importance of collaboration in tourism-related planning, these findings have ramifications for special event managers"* (Hede, 2007; 20).

The interview with the COO of Roskilde Festival suggests that their concern towards environmental causes is what enables them to make money, hence being the driver for the volunteers who are responsible for the Festival's completion:

*"Roskilde Festival can only make money on events because we are exempted from 'moms' (special kind of VAT, red.) and because it is lifted by volunteers. And there I think that the driver is the beneficial cause. I don't think you can motivate that amount of volunteers if it's not because they can see that their volunteer work are making the world a better place."* (COO Roskilde, 2014; 5)

Consequently, actions based on a holistic view of the management of stakeholders are of importance when doing resource-based innovation.

#### **8.4.1. Barriers**

As mentioned, the fact that FROST is constituted as a project-based organization makes them vulnerable towards loss of organizational learning, as mentioned. The shifting teams is the main barrier towards storing knowledge, hence using the FROST brand as a creative platform will disperse the knowledge to storage in the partnering firms. If the objective is furthermore to monetize on this knowledge, the dispersing is obviously a limiting factor. Thus, the costs incurred by having in-house knowledge hired, which is not exploited fully, is an expensive endeavor. Regarding the TBL approach to stakeholder management a distribution of gained revenue to beneficial causes exclude FROST from extracting profits to the owners, which could ramificate the relationship to both volunteers and public/governmental contributors.

#### **8.4.2. Two examples and implications**

The following example of driven-driven innovation is based on the above discussion as well as both theoretical based, and own ideas, corresponding to the theme of the proposal. The three elements in the infrastructure pillar is thus collected to give a comprehensive exemplification. The



implications are merely suggestions to what could incur, hence presented to underline the importance of engaging a holistic view, enforcing that when interfering with one element, consequences for the other elements emerges.

PRODUCT	CUSTOMER IMPLICATIONS			INFRASTRUCTURE			FINANCIAL IMPLICATIONS	
Value Proposition	Target Segment	Distribution Channels	Relationships	Value Configuration	Core Competency	Partner Network	Cost Structure	Revenue Model
Room for product innovation.	Same target segment, but less control with who partners targets.	Broader reach via collaborating partners.	Choice of letting customers in or out of the co-creation happening	<b>#1.3: PLATFORM FOR INNOVATION</b>  Introducing FROST as a platform for further engagement of relating institutions and individual artists, employing their individual projects under the FROST brand, enforcing innovation within the network.			Loss of pricing control when engaging with external organizers	Inventory costs of partners.  Need of public funding for projects.
Offering both experience products and customized services.	Targeting both B2C and B2B markets.	Need of new channels hence offering other products than experience products.	Danger on compromising or 'forgetting' Festival audience's values.	<b>#2.3: COMMERCIAL COLLABORATIONS</b>  Adding a wider engagement in commercial collaborations, monetizing on the brand, content, and authenticity, as well as introducing a consultancy business offering inherent knowledge, such as concept development, production management and curating.			Initial campaign to attract new customers.	Complementary income from consultancy business.  Capturing revenue from sponsorships.

Figure 19: Two examples of driven-driven innovation

## 8.5. Finance-driven innovation

As displayed in the income structure (figure 11), the current division of income is constituted as 20% own income, 18 % commercial funding and 62% public funding. The COO of Roskilde explains that she believes, based on experience, that for a festival, an even balance in this regard is optimal:

*"In my time (in Copenhagen Jazz Festival, red.) the balance was: one third of public support, one third of own income and one third of private sponsors. That is a beautiful balance, because it means that you own yourself. Nobody can come and say 'that's our jazz festival' because the cake is cut in three (COO of Roskilde, 2014; 4).*

The overweight of the public funding means that a non-profit objective is currently destined for FROST, as the Danish systems rules and requirements largely withdraw any funding from institutions able to make any kind of profit.

The current own income consists of asset sales, hence the probability to raise a further profit gained from these are present, according to the CEO. He states that he assess the audiences to be willing to pay up to 15% more for tickets than they do right now. His reasoning consists of the fact that he has been able to sell out most events in the recent years, and that his new determined target group has more money than the former group of first-movers (CEO, 2014; 7). Furthermore, the ticket prices have until now been kept artificially low due to the public support. As it looks like it will be challenging to maintain the level of public support, new revenue streams are required either way. When asked about other ways of enhancing the asset sale, the CEO declares a wish to entering into relationships with related partners, creating e.g. group packaging with hotels offering concert and accommodation for a fixed price, earning revenues through commissions of each hotel-room sold. This would furthermore please the partner of WonderCool applauding tourism-related initiatives from partners.

The CEO declares FROST as a cost-driven company (CEO, 2014; 6). However a challenge is present on this matter due to the cost structure, relying on high variable costs. Adding to that the CEO expresses a need to be uncompromising when it comes to professionalism of the services, which includes value-driven incentives, *"We are extremely proud concerning the product that we deliver"* (CEO, 2014; 6).

The cost structure (figure 10) reveals that a rather large part of the budget is used on production and employees. Hence, FROST tries to envision itself as being driven by a passion for presenting arts within a tight budget, thus, the administration and productional expenses displays a company enforcing professionalism in terms of establishing sophisticated productions, and not compromising on that end. This displays an interdependency regarding the cost structure and the income structure, balancing between being a professional endeavor with a high proportion of variable costs being dependent on public funds and at the same time lacking ability to be self-sufficient. Hence, another way of lowering the high variable costs relates to lowering the amount of expensive cross-over events, which however at the same time would enforce a lowering of incentives towards attracting public funders (Owner, 2014; 5), creating an enhanced need for own income and/or commercial funding.

Two common ways of incurring cost advantages are economies of scale and economies of scope. Hence, since economies of scale are not an ideal proposition within the current business model, due to the limited capacities of the cross-over concerts. The enhancing of scope on the other

hand, represents a potential way to support revenue gain via cost benefits. This method corresponds to the above chapters of depicted drivers of innovation. Particularly the offer-driven and the driven-driven innovation chapters arrives at suggestions towards broadening the scope of activities under the FROST brand, in order to sustain and expand the organization. Thus, the potential innovations within all epicenters contains different prospects of value capture, hence all consisting of elements influencing the streams of revenue, the pricing mechanisms or reduction of costs.

### 8.5.1. The fifth value-driver

The CEO's declaration of a current strategic concern for FROST recognizes a worry towards where the money ends:

*"What is the next strategic goal for FROST both in the artistic sense but also in relation to the financial development. How do we generate money and where do these money end. Are we pulling a profit from them or are we distributing them to new projects." (CEO, 2014; 7).*

Being a substantial choice, the CEO does not call himself in favor of choosing the *profit* road, as it closes a lot of doors in terms of e.g. collaborations with big funds. (CEO, 2014; 7). The owner, on the other hand, acknowledge that FROST has reached its position by virtue of the public funds but that this road is not preferable in the future:

*"We wouldn't have this venture, if it wasn't for public funds, but it's also something that you get sick and tired of, always moving that way. I think it's a little .. characterless." (Owner, 2014; 4)*

Consequently, when innovating to serve economic needs, different drivers are on display within the offerings, infrastructure, or customer interface of FROST. The finance-driven innovation chapter thus arrives at an inherent distinction concerning a choice of on what motivational basis value is created on in the organization, and consequently, on what motivational basis this value should be captured.

This choice is defined as an inherent contradiction of how to create a sustainable revenue model for FROST through innovation within the design-elements. The application of the four employed value-drivers of *efficiency*, *complementarities*, *lock-in* and *novelty* thus lacks a dimension comprehending these motivational drivers of artistic endeavors in the venture of FROST, which contradicts with the possibilities of making pure finance-driven innovation. It appears that a division exists between being driven by an aesthetic and expressive purpose, and being driven by a utilitarian purpose. The utilitarian purpose is overwhelmingly present within the 4 employed value-

drivers, hence only *novelty* recognizes non-material elements such as quality and depth. This element suggests that innovation within FROST is also directed by the force of aesthetic, expressive and non-rational motivations, hence introducing a quest for creative freedom. This relates to the encounter present within the creative industries as introduced in the theoretical framework by Svejenova et. al. outlining this issue as an increasingly important class of phenomena. This 'individually driven' pursuit suggest that a balance is needed between two contradicting forces: *Passion* – motivated by an aesthetic and expressive purpose, and *Profit* – motivated by a utilitarian purpose (Hirsch, 1972). Hence, between a *non-rational* 'fifth' value-driver and the four *rational* value-drivers depicted by Amit & Zott (2001).

This is also identified within the displayed examples, giving rise to including these as a basis for creating a comprehensible way of discussing this balance. The following matrix outlines which motivational drivers underlies the individual examples, revealing a pattern of contradiction between the two forces.

	PRODUCT	CUSTOMER INTERFACE	INFRASTRUCTURE	FINANCIAL MODEL
<b>EXAMPLE</b>	<b>#1.1:</b> ELABORATING CURRENT OFFERING	<b>#1.2:</b> MAINTAINING CONTROL	<b>#1.3:</b> PLATFORM FOR INNOVATION	<b>Passion-driven</b>
<b>MOTIVATION</b>	Driven by locus of creative freedom, sustaining personal motivation of innovating products.	Not taking the customers wants and needs into account.	Engaging related artistic network while maintaining the artistic control.	<b>Need of attracting public funds.</b>  <b>Distributing gained profit to new projects.</b>
<b>EXAMPLE</b>	<b>#2.1:</b> ADDING COMPLEMENTARY OFFERINGS	<b>#2.2:</b> COMMUNITIES & CO- CREATION	<b>#2.3:</b> COMMERCIAL COLLABORATIONS	<b>Profit-driven</b>
<b>MOTIVATION</b>	Driven by employing existent skills in order to catch unexploited pools of profit.	Taking consumers wants and needs into account via sustained engagement efforts.	Engaging in networks with partners and consumers with danger of loosing artistic control.	<b>Need of being self-sufficient or attracting sponsors.</b>  <b>Pulling gained profit to owners.</b>

Figure 20: Display of motivational issues related to finance-driven innovation

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### 8.5.2. Balancing of imperatives

Lampel et. al (2000) recognizes incomparable motivations as a general dilemma experienced by managers in the cultural industries, enforcing that balancing between the objectives are necessary:

*"Successful management of creative resources in the cultural industries depends on (...) striking a balance between the imperatives of creative freedom and commercial imperatives."* (Lampel et. al., 2000; 265)

While my discussion shows that there is extensive opportunities in order to generate revenue to secure the growth of the Festival, the quest for creative freedom plead for specific managerial duties. Lampel et. al suggests that:

*"when it comes to the practical business of creating and selling cultural goods, firms must proceed with both polarities in mind"* (Ibid.; 268).

The analysis of the innovative potential within the whole business model of FROST, not only eg. product innovation, suggests a further deepening of this imbalance to all of the design-elements which corresponds to all five opposing imperatives of Lampel et. al.'s research.

In terms of changing the offering, the balancing of artistic values with mass entertainment represents an issue, enforcing individual motivations while at the same time acknowledging that it is, *"through their entertainment value that cultural products attract the audiences that can support them"* (Ibid.; 265). Hence, this imperatives was analyzed as well-adjusted while succeeding in keeping a focus on the combination of something familiar, represented by the musical experience, with something new, represented by the unexpected setting. This furthermore relates to the imperative of balancing product differentiation with market innovation, as mentioned earlier, hence consumers expect novelty in their cultural goods while they also want novelty to be accessible and familiar, again, exactly the subject of the cross-over concerts at FROST (Ibid.). The balancing is thus challenged if adding a string of subordinate offerings is added. This will discard the individual motivation, while enforcing the organization to sustain a set goal of generating a profit to owners, demanding an overweight of mass entertainment and mere product differentiation.

The balance of taking consumers' wants and needs into account or discharging these, is also known as the demand analysis versus market construction imperative, or simply *pull vs. push*. (Lampel et. al, 2000). The dispute stands between those who, *"see cultural goods as an expression*

*of consumers' needs and desires and those who argue that what consumers want is almost entirely shaped by the imagination and creativity of the producers.*" (Ibid.: 266). A period of stability within a market can lead managers to opt for the first choice, treating cultural goods in the same way as products with a utilitarian purpose. However, this obvious approach can backfire when the picture of the market demands is revealed to be an artifact of the methods the industry used to construct that picture in the first place (Ibid.). In terms of FROST, the current practice of not engaging the consumers in the production can prove dangerous in terms of sustaining a loyal customer group open to innovations. Currently, the need of maintaining control within FROST appears too forceful to untie, hence an attempt to balance these imperatives e.g. through 'Communities of Creation' is needed.

The inclusion of other peoples' ideas are however not completely discharged, hence the CEO wants to present FROST as a platform for other peoples projects, and the owner wants to augment the commercial collaborations. This is an infrastructural issue relating to the vertical integration versus flexible specialization balance, also known as *make or buy* where the *"coordination and scale advantages of integration have to be balanced against their potential disadvantages."* (Ibid.; 267). The CEO wants to make the Festival grow by buying into other peoples' creative projects, including them under the brand of FROST, increasing creative flexibility. Thus, according to Lampel et. al (2000) this should not stand in the way of a further vertical integration e.g. enlarging the secretory which is also a wish for the future.

A combination of putting loyalty primarily in individuals or in the system as such relates to the balancing of 'individual inspiration versus creative systems', thus remembering that a creative company is in need of artists in order to avoid being a poor imitation system (Ibid.). FROST is therefore in need of the artistic inspiration inherent in collaborating closely with artists and creative institutions. On the other hand they do need to sustain a larger administrative unit in order to achieve integration, thus in need of a balancing of this imperative. The challenge thus includes both issues of decision making having different strengths within centralized and collective systems, and furthermore a sacrificing speed is present in large creative systems (Ibid.)

## 9. Conclusion

The aim of this thesis was to take a systemic perspective on the development potential of the business model of FROST, engaging with different aspects of the framework. A delineation of the

current business model of FROST was executed using the framework as a unit of analysis, hence defining the Festival on its foundational level. Subsequently the framework was used to encompass any potential boundary-spanning activities, thereby searching for ways to create business model innovation both internally in the organization, but also focusing on how stakeholders could interact and become engaged. The research was executed in order to extract potential value creation as well as value capture, and, as outlined in the research question; to investigate which barriers and potentials towards successful business model innovation are present at FROST, in order to create a sustainable revenue model.

A reason for engaging with the locus of innovation was based on the corresponding fact that, on one hand, the Festival was preliminary experienced as innovative and cutting-edge, and as displayed in the findings, this was an interlocking aim for both the owner and the CEO of FROST.

In terms of the value proposition, it was found that FROST had presented products linking the demands for novel artistic production with entertainment value and accessibility. The wish for digging deeper into the cross-aesthetic concert concept is present, hence this is accompanied by a desire of adding subordinate products and services set up to monetize on the thriving creative venture. The latter manifests a need for sustaining a creative backbone, whereas the first mentioned suggestion lacks a sustainable financial model, making it dependent on public funding.

The customer interface displayed an effective PR and distribution model which is supported by the easily disseminated storytelling of the key offering. However, the barrier for boundary-spanning activities within this design-element, lies in the excluding dimension concerning the limited capacities of the otherwise including cross-over events. This furthermore comprise a limiting factor towards revenue generation. The found potential consists of a wider focus on how inclusion can be emphasized using tools such as community-building and co-creation. And additionally, how this can generate enhanced audience numbers, as well as respond to the limiting fact that the Festival only has one yearly peak. The balancing of inclusion and exclusion, of chaos and order, is thus necessary in order to successfully engage with stakeholders, even though this interferes with the current governance structure which emphasizes control.

Within the infrastructural interface, or design-element of resource-driven innovation, it was found that the wish of engaging with external units and partners constitutes a pool for innovation. The CEO emphasizes further engagement with creative actors in the market, such as cultural institutions and individual artists, hence sustaining the artistic control over the Festival output.

However, the owner expresses a strong wish towards commercializing on 'his' brand, suggesting a further engagement with commercial partners. An alternative way to monetize on the creative interface of the infrastructure was depicted, however a barrier of the loss of organizational learning in FROST circumscribe a preliminary focus on the establishment of a sustained secretary in order to support this proposition.

The use of a theory which is mainly utilized and applied within business cases with a utilitarian purpose, provided a way to define FROST's potentials towards revenue generation. Value-drivers with a monetary attention was employed, in order to support this aim. It was found, that a large pool of boundary-spanning activities constitutes ways to generate revenue. The pools of activities comprised both the informants ideas, as well as trends and research on the matters. These were visually exemplified to enhance understanding. This furthermore enabled a comprehension of the implications of all units of the business model, when interfering with one unit. The results of the discussion revealed a pattern when engaging with the financial aspects of the innovations, hence a 'fifth' value-driver, concerning the motivational aspects was displayed. This suggested that even though the objective was merely to find sources of revenue, a non-rational, aesthetic value-driver could not be overseen. The utilization of the business model framework lacked an ability to comprehend the objective of being indifferent towards the monetary outcome, merely served by an aesthetic or expressive motivation. The CEO was the one primarily driven by this motivation while the owner had most innovative approaches compromising on this value.

The balance of being either profit or passion-driven demonstrates a classic encounter within the creative industries, hence many before me has pointed at this issue when dealing with organizational analysis. As mentioned in the theoretical framework Svejenova et. al. recognizes this issue as a persistence within the creative industries. The related perspective of the opposing imperatives as suggested by Lampel et. al. (2000) is one way to supplement this substantial dilemma further. Hence, within their framework, FROST succeeds in balancing some of the opposing polarities, while others, such as the *make or buy* and the *pull or push* concepts are obvious places to interfere. An understanding of how the imperatives play against each other, can aid FROST in deciding which innovative ideas should be included, modified or even discarded (Ibid.).

The creation of a sustainable financial model is consistently about how to enhance the streams of revenue, interfere with the pricing mechanisms or reduce the costs. However, due to the internal motivational issues present at FROST, the conditional factors for creating sustainability are



consistently disturbed. Consequently, this means that a basic choice of weather to collect revenues from public funds, private funds or from self-sufficiency, as well as where to place potential profit, in new projects or in the pockets of the owners, is demanded. This research thus proves that potentials for business model innovation is present, comprising potential new revenue pools. Hence, barriers stemming from distinctive corners should be taken into account. The thesis thus represents a guide of possible innovative endeavors for the management of FROST to sustain the life and growth of the Festival.

## **10. Perspectives**

The relevance of the research' compatibility to other niche festivals are assessed in the following after which further inspirations towards future research are suggested.

### **10.1.1. Relevance**

The growing number of niche festivals in Copenhagen enforces an even further need for each of them to stay ahead of trends and sustain a loyal customer group. The leap from being a start-up, following the master-plan of a single entrepreneur, to configure a secretary preferably hired permanently in order to store knowledge, is a considerable challenge for many festivals. The systemic perspective of the business model approach enforces a way to follow a business logic in this transformation, not overseeing potentials for revenue generation, being a substantial need for any creative venture. Even though the public funding system in Denmark offers a lot of possibilities, the competition has also moved in to this territory, creating a further incentive to search for other sources of revenue. This thesis offers a comprehensive analysis of a case in this situation, hence other festivals in the same circumstances could learn from reading it.

A further perspective to the sources of revenue generation is related to a present worry in the creative industries of engaging with profit-seeking ventures, hence feeling endangered of losing the locus of aesthetic expression. The task therefore relies on the cultural sector to understand its commercial value and announce it, meeting the utilitarian industries on the conditions of the art, not the other way around.

### **10.1.2. Further studies**

The sparse research of business models and business model innovation within the creative industries is a limiting factor towards being ahead in a world of globalizational obstacles such as shortening product life-cycles, increased competition and digitization. This thesis displays that there

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is much potential present in the application of this form of business tool to a creative venture. Thus, the value-drivers of mere commercial art are not comprehensible with the particularities of these undertakings. Hence apart from doing further research on business models and the innovation of these within the creative industries, a further study towards developing relevant value-drivers relating to this newly developed framework is needed.

In relation to the specific case of FROST Festival a further engagement in the implementation level would be preferable. The experimentation involved in executing any of the proposed innovations consists of an extensive amount of barriers, making leadership aspects when experimenting with business model innovation just as important as the successful mapping and analysis.

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### 11.1.2. Other sources

#### Online:

- [www.frostfestival.dk/2011](http://www.frostfestival.dk/2011)
- [www.frostfestival.dk/2012](http://www.frostfestival.dk/2012)
- [www.frostfestival.dk/2013](http://www.frostfestival.dk/2013)
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- [www.visitcopenhagen.com/events/wondercool](http://www.visitcopenhagen.com/events/wondercool)
- [www.wonderfulcopenhagen.dk](http://www.wonderfulcopenhagen.dk)
- [www.volcano.nu](http://www.volcano.nu)

#### Physical:

- Internal evaluations from 2012, 2013 & 2014 (Mikael Pass, 2014)
- Internal count of audience numbers from 2011 (Jesper Majdall, 2014)
- Annual report of 2014, confidential. (Mikael Pass, 2014)
- Applications as well as deals with funds, sponsors and partners. (Mikael Pass, 2014)
- Complete transcription of interview with Signe Lopdrup, COO of Roskilde.
- Memos, notes from researchers stay at FROST.
- Flyers, program books, posters etc. from the Festival library.

### 11.1.3. List of appendices

Appendix 1: Interview transcription, CEO of FROST: Mikael Pass.

Appendix 2: Interview transcription, owner of FROST: Jesper Majdall.

Appendix 3: Selected parts, transcription, COO of Roskilde Festival: Signe Lopdrup.

Appendix 4: Audience description, internal document FROST 2014. (Rasmus Junge, 2014)

Appendix 5: Event statistics, internal document FROST 2014. (Mikael Pass, 2014)

Appendix 6: FROST in numbers, extraction from internal evaluations as well as FROST websites.