When is Free...not?

When is free not?

The central conceit around something being free is that it is automatically value for money because it is not costing you any money.

But this is not the right way to frame the question, I would argue; and in fact, it is not even necessarily true. There is a belief that something is 'free' because it is not costing you any money as in there are no payments going out, but is it entirely possible that it is costing you money.

Certainly, when we look at the fields of casino surveillance and security, it is not so much that it's costing you any direct outlays, but that because it is failing to detect the underlying issue that you are considering there is a potential cost to that: the fraud that walked out the door, the collusion that went unflagged.

So, you have free software. The conception has to be that it is doing something, right? And better yet it was free and there was no outlay for it, nothing showing against the Capex or OpEx budgets, nothing in any P&L statement. That is real 'value for money' right there.

But what if the underlying conception is incorrect? What if it is not really doing what it is supposed to be doing?

Let us say it is some form of monitoring system, but it is inefficient at monitoring the things that you want to have monitored. So, indeed, it might not be costing you any outward money, but it is actually costing you an opportunity cost of lost detections that it is not getting because of its inferiority compared with, let us say, a payable product.

It was free…. But is there really a cost?

Or perhaps what is being discussed is not actually free in the classical sense, but that the cost of it, because it does have a cost, is subsumed in some higher billing rate for some other associated product or capability?

Again, in this case, what we are talking about is no longer what we might call a free product but is a product whose cost is subsumed. Now that is not necessarily to say that the product is bad, but would you be able to pay for it as a stand-alone in these kinds of situations? Or could you deduct the cost that is subsumed within the larger product family or system, and could you have it deducted from the bill?

My suspicion is you find that it is an add on that is 'considered to be' free but does not actually reduce the overall expenditure for the main product or system in any way. So, again, one has to look at the simple question: is something like this free? Can we consider it to be free? Or really, do we have to look at it as being what it is? Something for which the cost is real and has been hidden and 'deducted' within a larger capital outlay for something else? Something else which is almost invariably expensive enough so that it covers any potential costs the product would have as a stand-alone.

Or, if we were talking about a piece of software, for example, might it be that the development was stalled, or that was not going ahead, or indeed that it had not been further developed in some considerable period of time?

And if any questions are ever asked about that the tacit response would, of course, be, well, what are you complaining about? It is free. You did not pay for it'.

Now that might not be verbalized quite so bluntly or indeed to that extent, but that is not to say that that is not what is being thought. If you are getting a product for free, what claim do you really have to it? To its development? To enhanced feature sets? To updates that reflect changes in core operating policies or procedures within your own operational realities? Or changes to rules and regulations within the industry? Or changes, if it is a data input system, to how data is imported into it, formatting and the like?

You may find that your free system does not respond well to changes in environmental or policy procedural baselines simply because it is not in anyone's interests to develop it. No one's financial interests. And that is the thing about commercial ventures, whether they be software, whether they be consulting, whether they be anything. They are driven by the markets because the market's willing to pay for them to be so driven. Were the market not willing to pay for them, would there still be sufficient effort in development?

Now here, I am not talking about the likes of GitHub where individuals free of charge make modifications to software. You can look at the Linux community, for example, for their own interests to put forward products or capabilities or services that did not previously exist. They are not necessarily expecting a financial return from this. But these individuals, in many cases, are also employed by major software companies and highly visible activity and development are more likely to get them hired in the future or maintain job security now than not doing these things.

This is not to claim that truly altruistic individuals do not exist, but there is almost always 'something in it for them' even if this 'something' is all kudos and reputational enhancement. This is not money exactly, but it would be wrong to pretend that it was not currency, even if it is not being done for a direct financial reward. If someone comes back and says this element does not work or that element does not work, then fixing it and being seen to have done so does have a definite market value.

But this is a highly motivated self-selecting community who work on things that they are passionate about. Something that cannot always be said about free software or capabilities bundled within much larger systems and, at least potentially, relegated to the bottom of the development stack. How motivated are individuals, even those working for wages, towards fixing any problems that might arise or might exist?

An Example

To this point, this has all been a bit abstract, so let us give an example.

Let us say, as our example, that there was a consultant who came to visit you at your place of work and said:

"I would like to perform some consultancy for you."

You were quite intrigued by this offer, but the obvious question comes to mind: "*Well, for how much? What is it going cost me?"*

And he, or she, responded with: "*It's free*."

Now there could be a number of reasons that somebody would do that, but typically speaking, unless it was to build a business with the hopes of getting some remuneration in the future, you would probably be pretty skeptical because another word for 'free advice' is quite often 'unsolicited advice'.

And when one receives unsolicited advice, the typical response is not: "*Oh, thank you very much. That was awfully insightful. Allow me to act upon that."*

It is all too often: "*What businesses it was yours to even give me advice in the first place*?"

So, what would you honestly think about the consultant in my example, who came in and said: "*I have got some free advice for you. Take it or leave it*."

My suspicion is, in a lot of cases, the response would be: "*I'll leave it. Thanks*."

Similarly, if we all remember back to Netscape Navigator and Internet Explorer, and I know I am dating myself horribly by even knowing those names and what they were, Netscape Navigator was at least originally infinitely better than Internet Explorer. But Internet Explorer was bundled free with Windows, the OS of the computers people were increasingly browsing the web from.

And the reason for this free bundling, from Microsoft standpoint, was very sensible. They wanted to kill competition for the software within computer systems that everybody at the time believed to be the dominant direction for internet connectivity, correctly as it turned out; just look at the Internet and internet connectivity now. The fact that you can consume this content if you choose to, for example, via an article posted on the internet, or downloaded to your own PC.

But that was for a very direct reason. And, of course, the functionality even in Internet Explorer improved over time until it was better than Netscape Navigator had been. So, having supplanted the competition at the time IE in its turn was completely superseded by later and better browsers. And one of the reasons that was because Internet Explorer was a free product in a way that these new entrants that were to eventually replace it were not.

Once IE6 had won the ‘browser wars’, reaching something like a 95% market share by the early 2000s, it famously sat almost completely unchanged for about five years. That is about as clean a real-world demonstration of "no competitive pressure, no development" as you might hope to find. It did not get the love and respect of the underlying Microsoft operating system. Whatever might think about that, it did not go through the many iterations of the core OS on which it ran, or the likes of Office, or now we have Office three six five and the many variants and updates to this. So those systems, because you paid for them, were continually upgraded. And Internet Explorer really was not to the same degree.

This was not the case for the later web browsers, or of companies that produced these newer and ultimately better web browsers. They had a different model of doing business where the price signal was much closer at hand and worked out in a much better way. Google's continued and ongoing interest in Chrome never went away, because the browser is the delivery mechanism for the ad and search business that funds the whole company; a slow, insecure, poorly-updated browser is a direct threat to Google's core revenue, forever, not just until a rival is dead.

The Economic Model

Economics has a term for this concept as it has a term for so much else.

When we talk about things that are, or can be considered to be ‘free’ we have the **zero-price effect,** Ariely, Shampanier, and Mazar's research showed people don't just prefer free, they evaluate it on a completely different cognitive track than priced goods, one that suppresses normal cost-benefit weighing almost entirely.

People put a premium upon those things they pay for and discount often radically those things that they do not pay for or that come in very much cheaper. They discount them in their payments but, more applicably here, they discount them in their use and monitoring too.

This is an important concept because discounting the worth or value of a free product means that you are less likely to use it. And if you are less likely to use it, if it is truly a discretionary product, if you are less likely to use it, then you are never going see the limitations that it has.

Also, let's say, within the casino Surveillance and Security world and this is a fraud and loss prevention product, you're going to miss the tells that would indicate that you were suffering from fraud, either real or potential, or that you had weaknesses in your policy and procedure that would enable such fraud to be carried out.

So, in those situations, I think we can legitimately ask the question, **when is free, not**? You are not paying money. That is the thing you see, but you are missing the things that you do not see. You are missing the detections that you would otherwise get with a better, paid product. Yes. For that paid product you had the capital outlay, but that is going to be repaid in actual outcomes, almost certainly. Because there is that feedback that said, well, if it does not do what it says on the tin, if it does not get the detections, if I do not like the results that it gives me... well, now I will stop paying. Because I paid for it so I will be monitoring for just these outcomes.

Well, with a free product, that particular pressure is not there. There is no pressure to innovate. There is no pressure to become better. There is no pressure even to be really good at what you are supposed to do.

It's free. What do you expect?

So, you are seeing what you expect to see, not the hidden costs. It is very much like the 'Broken Window Theory' [Frédéric Bastiat's 1850 essay "That Which Is Seen, and That Which Is Not Seen"]. We can see the cost upfront out of pocket zero, but not the missed opportunities and the frauds which are far more likely to cost you considerably more money in the long term. So very often free is not, not by any stretch of the imagination.

Conclusion

We all 'like free stuff'.

It is a common enough saying to be a truism, we all like free stuff, but we do not actually care for free stuff. We do not look after free stuff the way we look after stuff we pay for which has much more value because we took the time and trouble to pay for it.

We do not use 'free stuff' be it software or anything else, the way we use a 'paid for product'. This can be especially important within a Casino and within the Casino Surveillance Department where it is more likely that a 'free product' just languishes unused where at least some effort would be put into using a paid for product, to justify ROI if nothing else. But without the economic rigor you have to pursue to generate that ROI, if it is lacking, are you bothered?

Especially if the free monitoring software is associated with activities that can be laborious and boring anyway. It is just as easy...easier even...to let things slide and focus on getting ROI in other areas.

A box has been ticked, and a 'capability' exists after all.

And anyway...it was Free...