

What Is Crowdsourcing?

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Despite the jargony name, crowdsourcing is a very real and important business idea. Definitions and terms vary, but the basic idea is to tap into the collective intelligence of the public at large to complete business-related tasks that a company would normally either perform itself or outsource to a third-party provider. Yet free labor is only a narrow part of crowdsourcing's appeal. More importantly, it enables managers to expand the size of their talent pool while also gaining deeper insight into what customers really want.

Key Stats

- **Buzzword coined:** 2006
- **Also known as:** Fansourcing, crowdcasting, open sourcing, open innovation, crowdfunding, mass collaboration, collective customer commitment, wikinomics
- **Enabling technologies:** Email, blogs, wikis, online forums and mailing lists, Internet services such as YouTube and MySpace
- **Current practitioners:** Procter & Gamble, Chipotle, Amazon, Eli Lilly, CafePress, and many more

Why It Matters Now:

With the rise of user-generated media such as blogs, Wikipedia, MySpace, and YouTube, it's clear that traditional distinctions between producers and consumers are becoming blurry. It's no longer fanciful to speak of the marketplace as having a "collective intelligence"—today that knowledge, passion, creativity, and insight are accessible for all to see. As Time explained after choosing the collective "You" as the magazine's 2006 Person of the Year, "We're looking at an explosion of productivity and innovation, and it's just getting started, as millions of minds that would otherwise have drowned in obscurity get backhauled into the global intellectual economy."

The idea of soliciting customer input is hardly new, of course, and the open-source software movement showed that it can be done with large numbers of people. The difference is that today's technology makes it possible to enlist ever-larger numbers of non-technical people to do ever-more complex and creative tasks, at significantly reduced cost.

Why It Matters to You

With a deft touch and a clear set of objectives, quite literally thousands of people can and want to help your business. From designing ad campaigns to vetting new product ideas to solving difficult R&D problems, chances are that people outside your company walls can help you perform better in the marketplace; they become one more resource you can use to get work done. In return, most

participants simply want some personal recognition, a sense of community, or at most, a financial incentive.

The Strong Points

Crowdsourcing can improve productivity and creativity while minimizing labor and research expenses. Using the Internet to solicit feedback from an active and passionate community of customers can reduce the amount of time spent collecting data through formal focus groups or trend research, while also seeding enthusiasm for upcoming products. By involving a cadre of customers in key marketing, branding, and product-development processes, managers can reduce both staffing costs and the risks associated with uncertain marketplace demand.

The Weak Spots

Crowds are not employees, so executives can't expect to control them. Indeed, while they may not ask for cash or in-kind products, participants will seek compensation in the form of satisfaction, recognition, and freedom. They will also demand time, attention, patience, good listening skills, transparency, and honesty. For traditional top-down organizations, this shift in management culture may prove difficult.

Key People

Like the concept itself, crowdsourcing belongs to no one person, but many have contributed to its evolution:

Jeff Howe, a contributing editor to *Wired* magazine, first coined the term "crowdsourcing" in a June 2006 article and writes the blog crowdsourcing.com.

Don Tapscott, a well-known business guru, has recently become an evangelist for mass collaboration in his book, *Wikinomics: How Mass Collaboration Changes Everything*.

Key Practitioners

Netflix, the online video rental service, uses crowdsourcing techniques to improve the software algorithms used to offer customer video recommendations. The team or individual that achieves key software goals will receive \$1 million.

Eli Lilly and DuPont have tapped online networks of researchers and technical experts, awarding cash prizes to people who can solve vexing R&D problems.

CambrianHouse.com lets the public submit ideas for software products, vote on them, and collect royalties if a participant's ideas are incorporated into products.

iStockphoto.com allows amateur and professional photographers, illustrators, and videographers to upload their work and earn royalties when their images are bought and downloaded. The company was acquired for \$50 million by Getty Images.

Threadless.com lets online members submit T-shirt designs and vote on which ones should be produced.

How to Talk About It

Crowdsourcing nomenclature is still in flux, but related terms include:

Ideagoras: Democratic marketplaces for innovation. Proctor & Gamble taps 90,000 chemists on [Innocentive.com](#), a forum where scientists collaborate with companies to solve R&D problems in return for cash prizes.

Prosumers: Consumers who have also become producers, creating and building the products they use. The hit online game Second Life lets its user/residents write and implement software code to improve their virtual world.

Worksource: Tapping a crowd of people to complete repetitive tasks or piecework projects. [Amazon's Mechanical Turk](#) is a worksource initiative for tasks (such as sorting or classification) that are best served by human oversight.

Expertsource: A narrower form of crowdsourcing that involves soliciting input from technical experts in various fields.

Further Reading

Wikipedia: Written by a crowd of contributors, the [Wikipedia definition of crowdsourcing](#) includes many examples of companies practicing the concept.

[Crowdsourcing](#): A blog by Jeff Howe, contributing editor at Wired magazine, who coined the term in June 2006.

See also: Jeff Howe's [Wired magazine article on crowdsourcing](#).

[CambrianHouse.com press page](#): Lists new articles written globally on crowdsourcing.

[Wikinomics: How Mass Collaboration Changes Everything](#): A book by Don Tapscott and Anthony D. Williams that offers a guide for mass collaboration between customers, suppliers, and producers.