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## Crowdsourcing and Crowdfunding

The growth of Web 2.0 has created a sustained emphasis on interaction between customers and organisations. In 2006 *Wired Magazine* editor and author Jeff Howe created the term “crowdsourcing” to define the practice of “taking a job traditionally performed by a designated agent (usually an employee) and outsourcing it to an undefined, generally large group of people in the form of an open call” (Saxton et al., 2013: 3). Marketers use crowdsourcing for marketing activities such as product design and promotion. A related but distinct concept is “crowdfunding”, which is defined as “an open call, mostly through the Internet, for the provision of financial resources” (Belleflamme et al., 2014:4). Crowdfunding has been popular amongst arts and music communities as well as entrepreneurs and is linked to an established subscription-based business model, for example in 1885 Carnegie financed the Statue of Liberty plinth by asking for donations through a newspaper advertisement. Whilst crowdsourcing and crowdfunding offer many opportunities, there are several challenges that face the marketer in terms of quality, control and the ethical treatment of participants.

### The concept of crowdsourcing

Crowdsourcing is an umbrella term within which there are several variants that can be distinguished according to four key criteria: (1) the nature of the crowd; (2) the nature of the task; (3) the nature of the reward; and (4) the ownership of the output (Zhao and Zhu, 2012). We will look at each of these criteria in turn.

## ■ The nature of the crowd

Early definitions of crowdsourcing identified that a crowd is formed of a large set of anonymous individuals (Schenk and Guittard, 2011; Saxton et al., 2013), however organisations can also draw on crowds composed of professional specialists. Open innovation is a variant of crowdsourcing, where a company seeks outside knowledge in order to source ideas to advance processes and technology (Chesbrough, 2003). For example, Unilever uses open innovation to gather ideas from external sources. Unilever circulate an innovation brief to a specialist crowd, found at either at a conference, by soliciting certain companies or by using brokerage agencies. A typical project might be soliciting input into the formulation of a new enzyme from amongst bio-tech firms, therefore an open call is being made to a known crowd. Outsourcing occurs when a company contracts out a business process externally and may be initiated by an open call (Contractor et al., 2010). Typically, outsourcing was considered as different from crowdsourcing because it involved a smaller number of people and is undertaken by professionals (Gefen and Camell, 2008).

The growth in crowdsourcing platforms for creative work, such as [www.designcrowd.co.uk](http://www.designcrowd.co.uk) or [www.designhill.com](http://www.designhill.com), means that it is a variant of crowdsourcing activity. Individuals are not anonymous, as within these platforms designers create profiles and seek to generate positive reviews of their work to boost their online reputation and improve their chances of being successful (Schorpf et al., 2017). Where crowdsourcing activity involves encouraging interaction amongst crowd members to create final output, a new relationship is created that changes the dyadic relationship of participant and organisation to being a triadic relationship of participant, organisation and community. For example, for Lego Ideas crowd members create and submit an idea but also comment and vote on the ideas of others. In these instances it is strategically important to build a supportive and engaged online community.

## ■ The nature of the task

Tasks are either micro or macro. Micro tasks are simple and repetitive but due to a degree of complexity, variability or needing judgement are not able to be easily automated (Vondrick et al., 2013). For example, the Smithsonian museum needed to decipher the handwriting of its collection of historical documents, so they could be digitised for devices such as the Kindle. Micro tasks are easy to complete when only a few in number, however large

numbers of micro tasks require an organisation to dedicate a lot of resources, and in this situation crowdsourcing increases organisational task execution capacity by enabling task completion to be performed simultaneously by a large number of participants (Schenk and Guittard, 2011). The Smithsonian Museum launched a Digital Volunteer centre (<https://transcription.si.edu/>) which to date has recruited over 8,800 participants who have transcribed more than 300,000 documents.

There are commercial platforms that provide a marketplace within which organisations can recruit individuals to perform micro tasks in return for payment. One platform is MTurk or ‘mechanical Turk’ that enables individuals and businesses (known as Requesters) to recruit people (called ‘providers’ or ‘Turkers’) to perform micro tasks known as HITS (human intelligence tasks). Tasks are given a time in which to complete and a monetary reward per task completed. Requesters can specify that Turkers have attained certain qualifications, such as first completing an online test and sample HIT, in order to ensure that completed tasks meet a specified quality.

### Exercise 6.1

Visit [www.mturk.com](http://www.mturk.com) and view some of the HITS. Search for the task with the highest reward and requiring the highest level of qualification (note you can filter HITS by qualification and sort by various criteria). Go to the Qualifications tab and look at the nature of the required qualifications that need to be attained. Are there any HITS would you consider accepting, which would you definitely reject? Why these HITS and not others?

Macro tasks are bigger in scope than micro-tasks and may require a high degree of time investment, creativity and customisation; while a micro task may take seconds to complete, a macro task will take much longer. It is sometimes possible for a macro task to be divided into separate micro tasks, for example the conversion of a whole speech into digital text (macro task) could be divided into conversion of single sentences (micro tasks) (Cheng et al., 2015). Macro tasks may also be characterised in requiring a high degree of innovation, customisation and individual input requiring specialist skills (Li et al., 2016). Frequently an organisation will use competitions or contests to complete macro tasks (Zheng et al., 2011). For example, open innovation is a form of macro task; the US federal government website (<https://www.challenge.gov/list/>) invites crowd participation in solving major challenges set by the Department of Homeland Security (passenger screening), the National Oceanic and Atmospheric Administration (ways of automating counts of sea