We Are Smarter Than Me

How to Unleash the Power of Crowds in Your Business

by Barry Libert and Jon Spector and Thousands of Contributors
Wharton School Publishing © 2007
176 pages

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Take-Aways

- Communication technology makes it possible for people to collaborate in new ways.
- "Crowdsourcing" means, essentially, relying on crowds of (mainly online) volunteers to do work previously done by employees.
- Such crowds provide customer service, sales support, promotion, content and other sources of value.
- Crowdsourcing has emerged in every business function, and has succeeded in most of them. The exceptions are management and strategy.
- Crowdsourcing does not have to take place on the Internet. In fact, some successful crowdsourcing ventures draw from a variety of venues.
- In-house staff members often resist crowdsourcing, and prudent companies make reasonable accommodations to enlist their support.
- Companies considering crowdsourcing should gather a community of loyal customers.
- Then, stay in touch with that community, its work, assist it, and let it lead.
- Be honest with your community. Recognize that negative comments about your products will happen. These can be valuable sources of information.
- Companies have only just begun to tap the potential of crowdsourcing.

Rating (10 is best)

Overall	Applicability	Innovation	Style
8	8	10	7

Relevance

What You Will Learn
In this Abstract, you will learn: 1) What "crowdsourcing" is; 2) How crowdsourcing works; and 3) How crowdsourcing can be a powerful tool for your business – if you do it right.

Recommendation
This book is an example of its own subject. The byline reads, "Barry Libert & Jon Spector and Thousands of Contributors." The book, a product of crowdsourcing, reflects both the power and the problems of crowdsourcing. On one hand, it provides many examples of crowdsourcing in action from participants. Almost all of these sagas are success stories (even going so far as to make the reader wonder if some of the anonymous crowd members contributing could have been promoting the companies in the stories). The proliferation of examples demonstrates that crowdsourcing has made its mark in many business functions. On the other hand, the authors (the two writers, not the whole crowd) acknowledge that crowdsourcing has not worked for business management and strategy. Again, the book offers a parallel. The collective authorial voices contribute a lot of information, but they are less than successful in providing the book with a thematic flow, leaving it slightly choppy. However, as one crowdsourcing executive points out in the book, observers must take the bad with the good. Crowdsourcing certainly merits the attention of anyone in business, so *getAbstract*, all by itself, thinks that this concise, quick-to-read book should be on managers' reading lists.

Abstract

"For the first time, humans can act in mass collaboration, using the kind of collective intelligence once reserved for ants and bees – but now with human IQ driving the mix."

Social Work
Social networking is a huge phenomenon, with MySpace and Facebook growing rapidly, and millions of people writing and commenting on blogs and in virtual communities, such as Second Life. But social networks aren't just about socializing; they have made a tremendous contribution to business. Wikipedia is an online encyclopedia created by a crowd of unpaid collaborators; Linux is an operating system created much the same way. Procter & Gamble garners new product innovations from outsiders. Gold Corporation released geological data, and offered prizes to people who helped it find gold. The plan worked: The mining company found gold it otherwise could not have found.

This process is called "crowdsourcing." It means, essentially, relying on numerous outside contributors (mainly online) to do work previously done by employees. Today, companies are leveraging the power of crowds for almost every process: product development, service, marketing, finance and management. Amazon.com pioneered crowdsourcing, now a pillar of its business strategy. It invested $2 billion to build a proprietary database and then opened it to the public. The crowd helped Amazon develop new products, technologies and ways of shopping. Amazon enlisted the public to help clear up duplicate Web pages, and then offered crowdsourcing to other businesses.

"Naturally, there are pitfalls in crowdsourcing. If collaboration isn't done right, it had best not be done at all."

In Canada, a crowd of 30,000 members submits, tests and hones innovative ideas for Cambrian House. First, a member offers an idea. Then, other members rate it, considering its marketing and Web distribution possibilities. The comments show how the original idea can be refined and eventually commercialized. Cambrian House sponsors the IdeaWarz

tournament to pit ideas against each other, like reality TV show contestants. Each week, voters select half the contestants to survive until the next round. At the end, one survivor wins glory and financing. Along the same lines, in 2006, IBM hosted an "innovation jam," a crowdsourcing event that produced 48,000 new ideas. Online participants selected 10 winners and IBM's CEO promised to invest in developing them. Pharmaceutical firm Eli Lilly crowdsourced with Innocentive, a collaborative platform for scientists. "Seeker companies" can post requests or challenges for researchers or inventors to answer. P&G uses it as the source for some 35% of its new product ideas from outsiders.

Crowdsourcing seems to have touched almost every business and almost every aspect of business. Online crowdsourcing sites even link lenders and borrowers, venture capitalists and entrepreneurs, and the like. Management and strategy are the only aspects of business to which crowdsourcing has not yet been applied successfully.

Online Communities and Research

Letting the community have input about a company's new products has a certain logic. It gives the public a stake in what you are doing and helps to ensure that your new products or services meet a real customer demand. To get your research from outsiders, you should:

- Know the community. The Japanese puzzle master behind Sudoku founded a magazine and gets ideas for puzzles from his subscribers.
- Recognize that insiders will resist crowdsourcing and see it as a threat. P&G accommodated insiders who wanted to continue using familiar technology.
- Take the crowd seriously and keep trying to expand its membership.
- Recognize that people in your firm constitute a crowd that can be a rich source of ideas.
- Spread the benefits. Give the crowd something back. Virgin Mobile created Sugar Mama to offer users free phone minutes as an incentive to give feedback.
- Select the partners carefully, with an eye to the task at hand. In addition to its Sugar Mama program, in which all users can participate, Virgin Mobile has an elite, inside crowd of hipsters who give advice on phone designs or even the names of service plans.

Crowdsourcing Customer Service

Some companies rely on online groups of users to support each other. Cookshack, an oven manufacturer in Ponca City, Oklahoma, has only 25 employees. It relies on user forums (some 1,200 topics and more than 10,000 messages posted) to provide customers with extensive information and advice. Such online support gives companies knowledgeable customer assistance from committed users, deeper engagement with the public and the opportunity to reallocate its customer-service resources to tasks that really require an employee.

Netflix customers rate films for each other. Their ratings feed Netflix's recommendation engines, so it can offer film suggestions tailored to customers' taste. Netflix recently offered a $1 million prize to anyone who could design a better engine. Nashville software developer Nick Bradbury built a 2,000-member online community to handle customer service for his products. When NewsGator Technologies bought him out, Bradbury became its product architect and one of his contributors became its customer service manager. To use the crowd for your customer service:

- Remember that online support is much cheaper than paid person-to-person support.
- Promote and reward crowd members who work with you. Let callers vote on who helps them the most with customer service questions, and recognize the best helpers.

- Monitor the answers given in forums to make sure that they are correct.
- Organize information for customer convenience, using archives, FAQs and the like.
- Use the customer support forums for information about product or service problems. Feed this data back to your product developers and in-house support personnel.
- Recognize that criticisms of your product or service provide valuable information. Customers are frank about product deficiencies when speaking to their peers.

Crowdsourcing Sales

P&G set up two units to enlist word-of-mouth to boost sales. Vocalpoint includes half a million mothers of preteens and teenagers. P&G enlists these moms and a crowd of kids to spread the word through their personal networks. The network's mothers talk daily to five times as many people as the average mom. P&G also set up Tremor, a similar operation for 250,000 teenagers. Tremor operates on the same principle as Vocalpoint. Its teens have about six times as many friends on their instant message buddy lists as the average teen, so their ability to spread the word is considerable. In 2005, Tremor helped the dairy industry increase teens' milk consumption.

Word-of-mouth has always mattered in marketing, but technology lets companies leverage far more extensively. Dave Neupert began to promote bands online in the mid-90s. His first big success was with the band Deftones. Boosting their record sales with an Internet campaign led him to start M80 Interactive Marketing. He located fans of the bands he was promoting, persuaded them to put their energy into the promotion for free and showed them how to promote effectively. In 1999, M80 promoted a new album by the band *NSYNC using an online community of 4,000 people, mostly teenage girls. The crowd rose to the challenge of getting its favorite band higher first-week sales than the competing band, Backstreet Boys. The company keeps fans engaged by offering them insider information and, in some cases, special gifts, such as concert tickets, trinkets and T-shirts. Neupert thinks this model can work for all sorts of products, not just bands.

MasterCard outsourced ad creation by letting people devise variations on its "priceless" advertisements. The company had to tolerate parodies, even obscenities, but it took "the good with the bad." Crowdsourcing even produced a Super Bowl commercial for Doritos. To "crowdsource" your sales or marketing, consider these tips:

- Identify customers who are excited about your product. Read your mail. Check with your sales team to identify long-term, loyal customers.
- Invite fans of your product to join a group. Give them a sense of belonging. Many people are willing to work for free if they feel like insiders.
- Give talented people an opportunity to provide free advertising and videos. Many of them will be delighted at a chance to put their work before the public. To reduce noise and undesirable submissions, narrow your focus.
- Play straight. When some managers of the online retailer Overstock killed negative reviews from customers, they alienated customers and hurt the company, because Overstock was keying its purchase and promotion strategies to highly rated products.

Crowdsourcing Content

Web sites that get all or most of their content through crowdsourcing include:

- iStockphoto – This Canadian site relies on amateur digital photographers to provide content that often nears professional quality. It has a library of almost

two million images, which editors can purchase at a price much more attractive than the fees charged by traditional professional photographic agencies. How much value can a crowd of amateurs really create? In 2006, Getty Images paid $50 million to buy iStockphoto.

- Zebo.com – A community of amateurs creates the content of this social shopping site. Members post pictures of things they own, profiles of their possessions, wish lists about what they would like to own, and the like. Forums let them chat with each other in real time, and they participate in question-and-answer sessions for information about products in stores. The information that members provide is valuable to marketers. In fact, the site's founder is also CEO and co-founder of an ad-serving enterprise. ThisNext.com is a similar social shopping site.
- VirtualTourist.com – This travel advisory service gets its content from members. It offers almost 1.5 million tips and three million photographs relating to 27,000 places. The site has attracted ads from major airlines, hotel chains and other tourism businesses.
- Current TV – This network, co-founded by former U.S. Vice President Al Gore, gets much of its content from filmmakers who offer five-minute clips of their work for the viewing community – and an expert jury – to rate.

To gather crowdsourced content, or invite public participation and feedback, consider these tips:

- Find out what the crowd is passionate about and try to feel that passion.
- Offer people a chance to talk about their passion and themselves.
- When you start a community, try to bring similar people together.
- Recognize that some people will try to exploit what you create. Be ready for them. Do your best to shrug them off, even though you won't be able to stop them.
- Don't bore people. Change content. Change the way people meet and talk. Offer variety.
- Keep quality high and remember that patience is golden.

After you develop your crowd, treat it right:

- Follow the group. Do not interfere with the community's internal deliberations.
- Protect the community from disruption by peddlers, flamers and their ilk.
- Don't lie to your community. Take responsibility for corporate blunders and missteps when community members bring them to light.
- Show the community a human face. Don't be too polished, professional or aloof.
- Don't shy away from controversy.
- Find ways to recognize and thank your most helpful community members.
- Take a long-term approach. Give your community a year or more to prove that it is a valuable asset.

About the Authors

Barry Libert is CEO of an information service for business professionals. Jon Spector is vice dean and director of executive education at the Wharton School at the University of Pennsylvania.

> "Imagine the computers that Acer or Gateway or Hewlett-Packard could create with input from customers – computers made not for geeks who love to install memory cards and new software, but for the rest of us, who like to drive cars without having to know how to repair the fuel injector."

> "That seems to us the best of all possible worlds, with business getting smarter by tapping the collective brainpower of community."