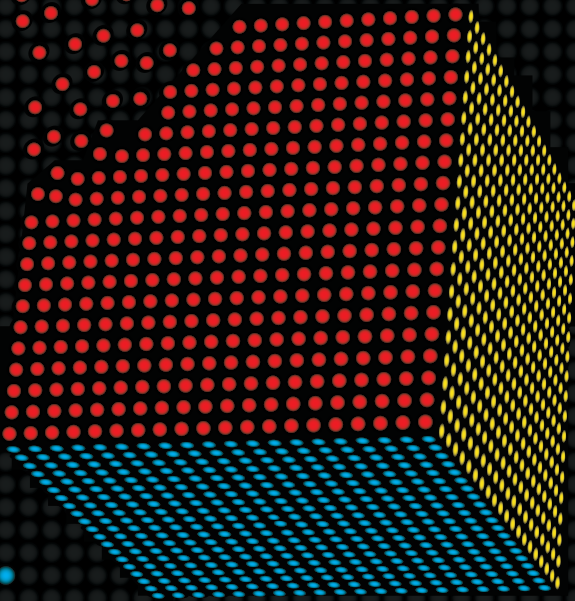


# Getting **Results** From Crowds



The definitive guide to using crowdsourcing  
to grow your business

Ross Dawson

Steve Bynghall



Advanced  
Human  
Technologies

## Build your business by tapping one of the most powerful trends in business today: **Crowdsourcing**

*Getting Results From Crowds* provides practical, pragmatic, clear guidance on how you can draw on the power of crowds to grow your business. Filled with real-life case studies and useful examples, it gives you everything you need to know to create success in a world where talent can be anywhere.

### What business leaders are saying:

*"Ross Dawson and Steve Bynghall have masterfully delivered a comprehensive and strategically pragmatic guide to crowdsourcing. Each chapter elegantly lays out a key concept and then provides practical advice. This is the must read bible for effective crowdsourcing."*

**R "Ray" Wang**, Principal Analyst & CEO, Constellation Research

*"Ross's latest book is a fantastic guide for businesses looking to access skills and drive innovation through crowdsourcing. I highly recommend it."*

**Peter Williams**, CEO, Deloitte Digital

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*"This is the smartest, most practical overview of crowdsourcing I've seen (and I think I've seen them all)."*

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*"To make the most of the different crowdsourcing options available for your business grab a copy of Getting Results from Crowds — it will pay for itself many times over!"*

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# Table of contents

	i	Introduction	v
<b>I</b>		<b>FUNDAMENTALS OF CROWDS</b>	<b>1</b>
	1	Crowds and crowdsourcing .....	3
	2	The rise of crowdsourcing .....	9
	3	Crowds and business value .....	13
	4	When to use crowds .....	19
<b>II</b>		<b>BUILDING RELATIONSHIPS</b>	<b>27</b>
	5	Relationship value .....	29
	6	Changing organizations .....	35
<b>III</b>		<b>USING SERVICE MARKETPLACES</b>	<b>41</b>
	7	Fundamentals of service marketplaces .....	43
	8	Specifying .....	47
	9	Finding talent .....	57
	10	Setting frameworks .....	69
	11	Rewarding .....	77
	12	Closing out .....	83
	13	Service marketplace overview .....	91
<b>IV</b>		<b>MANAGING PROJECTS</b>	<b>97</b>
	14	Project management .....	99
	15	Structures and roles .....	107
<b>V</b>		<b>CROWDFUNDING</b>	<b>115</b>
	16	Using crowdfunding platforms .....	117
	17	Equity crowdfunding .....	125
<b>VI</b>		<b>USING OTHER PLATFORMS</b>	<b>137</b>
	18	Using competition platforms .....	139
	19	Using distributed innovation platforms .....	149
	20	Using microtask platforms .....	161
	21	Other ways crowds create value .....	171
<b>VII</b>		<b>CROWD BUSINESS MODELS</b>	<b>181</b>
	22	<b>Crowd business models</b> .....	<b>183</b>
	23	Getting results as a service provider .....	195

# Crowd business models

22

“ Peer production is about more than sitting down and having a nice conversation... It's about harnessing a new mode of production to take innovation and wealth creation to new levels. ”  
**Eric Schmidt**, Executive Chairman, Google

The potential of tapping the power of crowds is rapidly becoming more apparent. While many businesses will see this simply as finding more effective and efficient ways to perform existing business functions, an increasing proportion of companies will start basing their core business model on crowds. This is leading to a wave of innovation in business, with outstanding opportunities for those that explore and populate this new frontier.

## Chapter overview

- There are seven core crowd business models: marketplaces, platforms, crowd processes, content and product markets, media and data, crowd services, and crowd ventures.
- Each business models relies on a set of specific monetization models, including across transaction fees, subscriptions, and content and product sales.
- There are a range of success factors for the business models, which can be classed as contributor characteristics, buyer characteristics, and capabilities.
- Even though crowd business models can usually be rapidly scaled, there remain a number of constraints to that scalability.



## Victors & Spoils: an advertising agency based on crowdsourcing

*When it was launched in October 2009, Victors & Spoils was described as “the world’s first creative ad agency built on crowdsourcing principles”. Founded by three partners including CEO John Winsor, it has built considerable success, including creating campaigns for clients such as Harley-Davidson, Virgin America, GAP, and Levi’s.*

*The company has close to 500 people from 126 countries in its contributor pool, all attracted through the firm’s significant media and online visibility. Within this pool, it regularly interacts or works with around 200-300 of them, though none work predominantly for the firm at this stage.*

*The firm has built a reputation system to make it more efficient to find the best people for projects. Contributors are given points based on factors including how far their submissions go in the filtering process and client opinions, while creative directors can also allocate points based on their views of creative talent or collaboration capabilities.*

*One model they use is running an open brief, prepared by Victors & Spoils on the basis of the brief from the client. This is open to contributions from anyone. None of the submissions are visible to other contributors. In the initial round, contributions are ranked as A, B, or C. The client can then go through the submissions and choose the ones they want to pay for and use.*

*However the majority of the client work done uses what Winsor calls the ‘pick and pay’ model. Here, Victors & Spoils picks 10-25 people to contribute to the project, each of whom signs an NDA and is paid a small amount upfront for their submission. From this pool around 4-5 are selected to go into a further round, attracting additional payments. The company collaborates with these winners to further develop their ideas to meet the client’s brief.*

*There are 12 people at the core of Victors & Spoils, including traditional agency roles of Creative Director and Strategy Director, as well as a Technical Director responsible for the platforms.*

*At the outset, fee levels for Victors & Spoils were around a quarter of traditional agency fees, but have risen to half to three-quarters of market rates. The partners started out with a ‘better, faster, cheaper’ philosophy, but now believe that the crowdsourced model often provides superior results to traditional agency models and so merits commensurate fees. In charging clients more, they can pay the crowd more and in turn attract better talent.*

## Crowd business models

There are many ways that crowds can help businesses achieve their objectives. For example, crowds can be tapped for a wide variety of critical services such as design, software development, advertising campaigns, or even product design.

However this often simply replaces existing approaches to sourcing suppliers or gets some of the organization’s supporting functions performed in a different way. It does not fundamentally change the nature of the company.

Increasingly we are seeing entire business models that are fundamentally based on tapping contributions from crowds, where a primary source of value creation is from the crowd. In other cases companies are creating value by helping their clients use crowds well.

We are early in what will prove to be a long-term rise in the prominence and success of crowd business models. An increasing number of companies will shape themselves to create value using crowds. No doubt new crowd business models will emerge to complement the ones we can see today.

### A taxonomy of crowd business models

Business models define how resources are brought together to create monetizable value. In crowd business models, the resources are primarily based on crowds. There are a limited number of structures in which the work of crowds can be monetized.

In the following pages we provide a framework that shows the seven primary crowd business models that aggregate crowd work to create value, and a description of the monetization and success factors for each of the business models.

Some of these crowd business models combine a wide variety of the crowdsourcing categories described in the Crowdsourcing Landscape shown in Chapter 1. For example Marketplaces covers service marketplaces, competition platforms, crowdfunding, and a number of other categories. The underlying business model for each of these categories is fundamentally the same, just applied in a different way.

We have also included Non-profit models in the Crowd Business Models diagram, so this can be fully mapped to the Crowdsourcing Landscape, however we do not cover Non-profit models in the analysis in this chapter.

Media and data	Marketplace	Service marketplaces Competition markets	Platform
Creation of media, content, and data by crowds.	Matching buyers and sellers of services and financing through mechanisms including bidding and competitions.	<b>Crowdfunding</b> <b>Equity crowdfunding</b> <b>Microtasks</b> <b>Innovation prizes</b> <b>Innovation markets</b>  Freelancer.com 99Designs InnoCentive Kickstarter oDesk Mechanical Turk	Software and processes to run crowd works and crowd projects, for use with internal or external crowds.
<b>Knowledge sharing</b> <b>Data</b> <b>Content</b>  Demand Media Quora Servio Trend Hunter We Are Hunted IMDb Data.com			<b>Crowd platforms</b> <b>Idea management</b> <b>Prediction markets</b>  Spigit IdeaScale Consensus Point Napkin Labs Kluster
CROWD BUSINESS MODELS			
Crowd services	Crowd ventures	Crowd processes	Content and product market
Services that are delivered fully or partially by crowds.	Ventures that are predominantly driven by crowds, including idea selection, development, and commercialization.	Services that provide value-added processes or aggregation to existing crowds or marketplaces.	Sale of content or products that are created, developed, or selected by crowds
<b>Labor pools</b> <b>Managed crowds</b>  Ideas While You Sleep BzzAgent uTest CrowdAdvisor GeniusRocket Victors & Spoils Thinkspeed	<b>Crowd ventures</b>  MyFootballClub my3P SENSORICA Globumbus	<b>Crowd process</b>  CrowdFlower Data Discoverers LiveOps Scalable Workforce Smartsheet	<b>Content markets</b> <b>Crowd design</b>  Threadless RedBubble iStockphoto Quirky Beta Fashion Made.com RYZ
Non-profit	Citizen engagement Contribution Science	Kiva Crowdrise Ushahidi FoldIt OpenIDEO	

## Examples of crowd business models

There are many kinds of business models that draw on value created by crowds. Following are just a few examples that illustrate different aspects of crowd business models.

### Data.com

Jigsaw Data Corp was acquired by Salesforce.com in April 2010 for \$142 million and is now called Data.com. Its 2 million users pay annual subscription fees to submit, share, and access information on over 30 million business contacts. The crowdsourcing of contact information means that it is continually updated and validated, however Data.com now complements the crowdsourced data with information from Dun & Bradstreet and other vendors using more traditional data gathering and analysis models.

### Demand Media

Demand Media's primary business is creating content that is monetized through search advertising. It draws on a stable of thousands of writers and video creators who are usually paid a fixed price per article, using sophisticated algorithms to request the content it believes will generate the highest revenue. It listed on New York Stock Exchange in January 2011 at a valuation of \$1.3 billion, though its stock price has significantly declined since then.

### Giffgaff

Giffgaff is a U.K.-based mobile phone service provider within the Telefonica O2 group. It claims "we're run by our members", with sales and support significantly performed by its users. Members who answer questions in the community space or generate sales to new users are rewarded with 'Payback' points that can be redeemed as cash, airtime credit, or donated to charity.

### Kluster

Kluster began life as successful iPod accessories company Mophie but then pivoted into a crowdsourcing firm after it experienced at Macworld 2007 the power of asking its customers to contribute to its product development process. It now provides a crowd platform for clients to run their own crowdsourcing initiatives, and has also spun off ventures generated within Kluster, including the crowdsourced product design company Quirky, described in Chapter 21.

### my3P

my3P is an online community created to help youth enterprise. Members earn points or potentially cash for performing tasks in the entrepreneurial process. This includes submitting ideas that earn points if others like them, doing specific tasks, managing projects, performing due diligence, and so on. The intention is that people get value from their contribution to a wide variety of entrepreneurial ventures. While my3P is not yet mature it points the way for business models that are entirely created and run by crowds.



# Monetization

	Marketplace	Platform	Content and product markets	Media and data	Crowd services	Crowd ventures
Transaction fees	■		●	■		●
Membership fees	●	●	●	●		●
Test fees	●					●
Licensing		■			●	
Pay per task	●	●	■		●	■
Product sales				■		
Advertising / Search					■	
Subscription		■	●		■	●
Content sales				■	■	●
Packaged services			■			■
Custom services	●		■			■

■ – High relevance      ● – Medium relevance

# Monetization of crowd business models

Depending on the type of crowd business model, there are a variety of different approaches to monetization that can be applied. Below are brief descriptions of each of these mechanisms.

## Transaction fees

These are especially applicable where crowd platforms are essentially acting as a broker between clients and service providers, in some cases aggregating the work created by the providers. Transaction-based payments can include job posting fees, bidding fees, and commission on payments.

## Membership fees

Fees may be payable by either or both clients and service providers in order to participate in the platform, service, or value creation model.

## Test fees

As tests are a significant aspect of how providers are assessed by potential clients, fees can be charged for taking tests on capabilities such as language abilities or software skills. Tests may be repeated by providers wishing to improve their scores.

## Licensing

Software such as crowd platforms can be licensed for installations behind corporate firewalls. In some cases content including data can be licensed for re-use in a variety of formats.

## Pay per task

Pricing may be based on particular well-defined tasks or services being performed for the client. In this case the margin received by the business is dependent on managing provider costs.

## Product sales

Where products such as clothing, cards, gift items, or other goods are designed by crowds, the primary revenue source can be direct sales of those products.

## Advertising

Revenue from content-based models can be generated primarily from advertising on the media generated. In some cases search advertising is the primary revenue source, in which case the content created needs to be generated specifically to maximize search visibility and user actions.

## Subscription

A regular payment schedule can be established for either cloud-hosted software or for access to high-value content.

# Success factors



## Content sales

Packaged pieces of content such as books or reports can be sold in a variety of formats.

## Packaged services

A clearly defined service at a fixed price can be delivered by crowds.

## Custom services

Bespoke services can be delivered by crowds, with the company acting as an interface to the end-client through relationship management and quality control. This is significantly more complex than pricing packaged services, as fees need to be quoted and negotiated for each service, and it is rare to base pricing on labor costs.

# Success factors: crowd business models

There are a variety of factors essential for success in implementing business models based on crowds.

## Network effects

The challenge for these models is to develop both sides of these networks simultaneously, unless there is pre-existing pool from an established business. For example, design competition platform 99designs was established out of the existing deep pool of designers on SitePoint.com. This meant that with one side of the network established, only the client side of the market needed to be developed.

## Contributor characteristics

Clearly crowd business models by their very nature depend on having many contributors. The two primary characteristics are the breadth and quality of the contributors, however not all business models require both.

## Contributor breadth

In some cases having the largest possible pool of contributors is a fundamental enabler of a crowd business model. This can be attractive to buyers in marketplaces through the diversity of skills available, or in the scalability of access to those resources.

## Contributor quality

Characteristics of high-quality contributors include domain expertise, keeping current in their field, excellent communication, offering creative solutions, and meeting deadlines.

## Buyer characteristics

Contributors have substantial choices in the crowd ventures in which they participate. They will clearly be attracted to broad, deep pools of clients. However the quality of the clients is also

important. In the case of crowd services there is just one client, in which case its characteristics will attract – or not – the best providers.

### Buyer breadth

In the case of models such as service and content marketplaces, a deep pool of clients is required to generate sufficient business for service providers.

### Buyer quality

Clients that attract the most talented providers generally are sophisticated, offer interesting, challenging work, communicate well, have reasonable pay expectations, understand non-financial rewards, and respect the contributors. Where business models are based on crowd service delivery, a significant part of value creation comes from managing client relationships effectively, and thus attracting high quality and high value buyers. Specific skill sets that support success include defining objectives, pricing, managing expectations, and process communication.

## Capabilities

There are a variety of capabilities that provide important foundations for crowd business models. Developing and sustaining these will be fundamental to success.

### Public reputation measures

A key factor in attracting clients to marketplaces is having relevant and accurate reputation measures for providers, making it easy to find the most reliable, highest-quality providers. Contributors also find it valuable to see accurate reputation measures for the buyers, to maximize the chances of having a good experience.

### Internal reputation measures

For crowd services and other models where the providers are not directly visible to end-clients, internal reputation scores that enable the identification of the best providers for particular tasks can provide competitive advantage. In a broader sense, being able to assess and select the most relevant providers for bounded talent pools is a critical skill. This usually requires effective use of interviews, internal tests, and trials.

### Project management capabilities

Established project management processes and the ability to run these well is fundamental to any business model that requires service delivery by crowds.

### Quality control

One of the most important yet challenging capabilities needed for many crowd business models is consistent and cost-effective quality control processes. In some cases these can be delegated to providers or crowds within strict processes to achieve maximum efficiency, however there are limits to this depending on the relevant quality criteria.

## Project management tools

Clients often use marketplaces as much for the ability to manage projects and multiple providers easily as for the pool of talent they can access.

## Content monetization model

While crowds can readily be used to generate content in a variety of formats, effective monetization models are required that link revenue including content sales, advertising, and search advertising with the specific content being created.

## Fulfilment

For crowdsourced content and product markets, for example for articles such as art, clothes, or merchandise, competence at fulfilment including manufacturing and shipping is critical for success. While some companies outsource much of the fulfilment function, they still need to manage it effectively. Others find there is greater value creation in managing this process themselves, effectively making them crowd-fueled fulfilment companies.

# Constraints on scalability

The beauty of business models based on crowds is that they are inherently scalable. If well designed, service delivery can be scaled extremely rapidly and broadly, while there are many ways in which revenue generation can be swiftly scaled.

However there are a number of potential constraints to scalability, even for crowd-based business models. Here are a few of the potential limits that need to be understood and managed effectively for rapid scaling.

## Service delivery

Crowd-based service delivery provides massively greater scalability compared to services performed by in-house staff. However there are a range of constraints to doing this effectively.

## Quality control

In general it is harder to achieve high quality standards using external providers, for a wide range of reasons including commitment, aligned incentives, degree of training, and so on. Increasing training and the degree of engagement with the company adds costs and slows adding contributors. Adding layers of quality control is usually essential, but also adds centralized costs.

The ability to create structured processes and layers of supervision in such a way that the quality control function can be largely performed externally is a key driver of scalability. It is a challenge that will be central to many emerging crowd business models.

**Project management**

As larger crowds are brought together into over-arching business processes, the effectiveness of project management structures can be severely tested. While extremely precise task definition and refined project processes can be scaled significantly, exceptions can rapidly increase. In addition, more creative processes usually cannot be put into overly tight project structures.

**Availability of talent**

In some cases for more specialist or highly creative skill sets, even crowds do not appear to yield a sufficiently deep pool of talent. This is most commonly a result of not being a good enough buyer in terms of rewarding contributors appropriately, including financially. However even where the business model can support and does flow through to adequate rewards to providers, attracting the right talent in sufficient quantities is not a given.

**Revenue generation**

Clearly the issue of scaling revenue generation is an issue for every business. However some of the challenges can be particularly pointed for a rapidly scaling crowd-based business model.

**Defined offerings**

Highly defined offerings are far easier to deliver using crowds, and can usually be marketed more effectively than customized solutions. Achieving precisely defined offerings, in some cases many distinct offerings to cater for a diverse market, requires a significant investment.

**Evolving revenue sources**

As markets evolve, existing offerings may lose traction and demand for new products or services may be recognized. This means that even well-oiled and highly-structured processes for bringing together crowd resources to deliver value to clients need to be continually changed and refined. The process of scaling can have many turns and forks in the road.