CBI Product Fact Sheet: Crowdsourcing

‘Practical insights into new technology and marketing trends’

This product fact sheet provides information about crowdsourcing for developing country exporters.

**Product definition: Crowdsourcing:**
"Put your problem out there and wait for a solution of the masses"

Crowdsourcing is defined as the process of posting your problem online and ask the ‘crowd’ for solutions.

1. **Background and recent history**

Crowdsourcing is the process of posting a problem online and have a crowd of people come up with solutions or get something done. The term was coined by Jeff Howe in Wired magazine in 2006 and has been recently added to The Oxford Dictionary in June 2013.

The promise of crowdsourcing is that it allows organisations to solicit the ‘wisdom of the crowd’ by connecting simultaneously to a large number of people who share a common goal.

Although the term ‘crowdsourcing’ is relatively new, it does have a long history. In 1714, the British government needed a solution to what they called ‘The longitude Problem’. This navigational challenge, if solved, could save the lives of potentially thousands of sailors per year who perished at sea. The British government offered £20,000 (about $5 million USD in today’s money) to anyone who could invent a solution to this unsolvable problem. John Harrison, the son of a carpenter won the prize by inventing an accurate, vacuum-sealed watch. This early crowdsourcing experiment is a prime example of the concept that innovation and invention can come from anywhere, even from people outside of the industry.
Typical ways of involving the crowd for problem-solving or product development are:

- innovation tournaments
- idea contests
- product contests through co-creation
- product testing
- creative competitions
- branded web platforms for idea generation
- expert platforms
- crowdsourcing platforms

It is an exciting way to engage consumers with the industry to create meaningful brand communication and social media marketing. Crowdsourcing is a tool for creating concepts that help any company stand out from the ‘crowd’.

To have a quick scan of what is on the market at the moment and what is going on in Crowdsourcing, please check the below link for a timeline of how crowdsourcing started back in 2006, as well as which companies are using it today and which campaigns are launched:

Examples of crowdsourcing and who is using it

source: www.crowdsourcing.org

Initial crowdsourcing was started by larger and global brands during the period of 2006-2012. In most cases, it was managed by agencies to monitor and digest the open source information. In recent years, 2013 and 2014, we see that companies have mostly gone for the do-it-yourself strategy and have listed their challenges and competitions on web portals.
2.0 The process of crowdsourcing in a model:
The crowdsourcing process in 8 steps:

Source: www.darenbrabham.com

Multinationals report the best results with crowdsourcing activities. Since there are no data yet on how smaller businesses make use of this new open source development, we will have to monitor the trend closely in the coming years. Crowdsourcing is successful based on the new era and concept of ‘sharing’ introduced by the digital age. Generations like Y, also referred to as the millennials, or at least those born after 2001 and now at the age of 12, are an actively contributing group. They grew up with crowdsourcing and community problem-solving.

Some examples of successful Crowdsourcing

Source: www.Innosabi.com
A less successful example of crowdsourcing was the introduction of the new logo of GAP. Since the company did not follow the remarks and reviews of the crowd, it caused an outpouring of comments from users of social media and Facebook in particular. "If it ain't broke, don't fix it" was the most prevalent post.

source: www.just-style.com

**Advantages of crowdsourcing**

The concept behind crowdsourcing is to increase sales. Crowdsourcing therefore can be considered as a new marketing tool. By involving your potential (new) customers in the product creation from the start, you are sure and confident that you will be able to sell it to them, since they co-created it or at least feel part of the product development.

Crowdsourcing in the second phase is a strategy to attract consumers outside your traditional market and to engage with new potential target audiences. In a third phase, it can be used to perform product testing on a new item prior to its introduction.

Crowdsourcing and Open Innovation (OI)

Unlike Open Innovation, which is geared to reduce the costs of Research & Development by teaming up with the external world, crowdsourcing is a sales concept. Both concepts are 'open source' driven: meaning the use of virtual and IT drivers to get the problem in 'open space' and the use of all social media toolboxes to connect to external intelligence and to assure a new potential distribution base.

Where Open Innovation initially was primarily technology-driven to reduce development costs and to connect to intelligence platforms outside the boundaries of one's own company, it leverages profits once the company enters in new joint-ventures or sells off its unused licenses and patents and finds potential new network partners. Crowdsourcing in this setting can be used as a sales tool for Open Innovation.

Shortlisted advantages:

- enter new community of consumers
- create products that the mass market wants rather than design products that do not sell or nobody wants
- find new niche markets outside your traditional scope
- works on a global scale - no boundaries or limitations
- ensures speed to the market since it is co-created by your potential buyers
- reduces development costs
- reduces promotional marketing budgets
- reduces marketing efforts
- cross-channel selling: new communities
- fusion sports – apparel, for instance
- report, track, and collaborate in real-time investigations
- social commerce: word of mouth and co-creation
Disadvantages of crowdsourcing

Problem #1: Lack of confidentiality
Crowdsourcing usually involves a group of people who are unknown to you and the company. Due to the risk of confidential information getting into your competitor’s hands, there are usually details about the problem, your business intentions, or the technology that you must keep hidden.

Problem #2: Lack of communication
Because we are reaching out to a group of people that we do not know very well – and in many cases a lot of them, it becomes very difficult to communicate with all of these participants in a meaningful way, to help them achieve a deep understanding of the problem that they are to solve. A lack of dialogue.

Problem #3: Risk of Intellectual Property contamination
At least on paper, getting dozens or even hundreds of potential solutions to your problem sounds great, but when you start to think it through from an IP management standpoint, it might be impractical due to IP contamination.

Problem #4: Ideas are not the same as solutions
If you release your problem to a large cloud, people are less likely to start working on it since they are apprehensive about the extensive competition. If too many people sign up for a contest, the risk/reward ratio is unclear.

Concepts related to crowdsourcing:

1. Open Innovation (see also PFS on OI)
2. Cloud labour: is the abundant supply of workers that are thinking about new products and solutions for your company. Cloud labour offers 100% flexibility without remuneration
3. Collective knowledge: since you tap into an open cloud of information, news and knowledge might come from unexpected angles
4. Community building: connecting people to your company and/or products creates loyalty and an open discussion for co-creation, future product development, and feedback
5. Crowdfunding: is often confused with crowdsourcing: individuals come together to fund projects for start-ups or small businesses (see also model next page)
6. Collective creativity: through crowdsourcing, you can connect to multidisciplinary teams from all sectors: architecture, photography, design, furniture, among other sectors
7. Civic engagement: CSR and environmental engagement through new communities
Crowdsourcing and the fashion industry
The free culture of fashion is already quite modern in itself when relating this to crowdsourcing. The fashion world has trademark protection but no copyright protection and no patent protection to speak of. Some technical sports brands have some patents on developments, but the fashion world is in essence widespread ‘open creative’ and brands and designer cross-channel each other's work and creations or re-use them in a new way: ‘getting inspired’. The fashion forecast and catwalk often show the re-emergence of ethnic trends - tribal colours and patterns, often copied without any shame. In that sense, the fashion industry is a living example of open source - open cloud and crowdsourcing.

The structure of product development and collection design works both in this top-down and bottom-up kind of industry. Trends are picked from the street or from others. The fashion industry works in the same way as open source software works. A project that is upstream is being downloaded by developers all over the world. Then, it is hacked, innovated, and finally presented back with its changes, so that others can also benefit from the contributions.

Developments in crowdsourcing used by the fashion industry
By involving the public early in the fashion process, brands may be able to gain an understanding of what consumers really want and incorporate some of their best ideas. Early consumer engagement also helps to secure buy-in that can create brand advocates and prime an audience for future sales.
Whilst crowdsourcing is nothing new, its application in the fashion industry is and raises a number of questions. Will designers be willing to release control of some aspects of the creative process to let the public have their say? Should the public be telling designers what they want to wear and see more of? Could this lead to greater sales? For now, these questions remain unanswered.

The most used crowdsourcing tool in fashion industry is co-creation. It seems user-generated designs are more appreciated in the market and more successful in sell-through in retail than designer-generated products.

How to connect crowdsourcing to the garment sector and production?
Connecting the principles of crowdsourcing to the garment industry is not easy. In most cases, the producers are not in direct communication with the end consumers. If the brands and retailers who place orders with you start working with crowdsourcing techniques, it will place undue strain on producers to cater to those ‘products-and productions on demand’. It requires an enormous flexibility in lead-times - product and sample development.

If brands and retailers start producing with you based on user-generated designs, the variety of product outcomes is unthinkable.

Recent examples of ‘the crowd’ getting involved with production issues have been fairly negative after the industry disaster in Bangladesh with Rana Plaza. The ‘crowd’ sentiment is directed towards the global retailers and brands like Primark, but is not so much directly
related to the producing countries themselves. The branding of a producing nation to external consumers will therefore be quite important in the near future.

This month’s examples of Primark products having a main label that stated ‘sweatshop conditions’ is still investigated.

To investigate how crowdsourcing might be connected to the production floor and or supply chain in the near future, the most likely approach will be to discuss the options related to your supply chain partners and service levels towards your customers. Topics that are suited for crowd communication are: green factories; organic production; all aspects related to clean manufacturing; waste management and environmental impact; CSR and OHS issues.

Second to investigating how to implement crowdsourcing elements on your production site, it is important to analyse the options on an institutional level; what can business-support organisations do? What does your export association say about the topics of country branding and management of the public image?

Overview how to connect crowdsourcing to the garments sector

Product design and sampling
- ODM – own design manufacturing – which can be sold to 3rd parties as well to the cloud-based community.
- E-sample collection making: to connect to your clients at an early stage and reduce sampling costs.
- 3D sampling (see also PFS 3D).
- Never out of stock – co-creation with your clients’ stock keeping units to answer to retail replenishment as soon as possible.
- Connect to ERP and open cloud systems with your accounts.

Considerations for action
- Communicate your ODM collection proposals to a wider audience: post your collection on your webpage; sell to colleague manufacturers.
- Share collection and design proposals.
- Use ODM for domestic market options.
- E-sampling: CBI fashion tool.
- Pre-season offer: co-create collections with your clients on schemes and design proposals.
- Track and post your client collections on your web so they can access their own product portfolio placed with you.
- Digital dressing room: 3D-visualisation of samples before actually making them can reduce development time and costs and manage waste of materials.
- Focus on clean IP – intellectual property.

Procurement and sourcing
- Build a cloud-based library with your core suppliers.
- Build a database with trimming suppliers with your community manufacturers.
- Identify and share supply chain partners locally as well as internationally.
- Mentoring and teaming up with your co-producers.
- Share trade intelligence.
- Create a trade platform where you can combine orders and negotiate group discounts.
- Build both horizontal and vertical connections with industry partners.
- Link up with horizontal partners: finance, logistics, retail banking, loan processing.
- Identification of suitable providers for fabric finishing, processing issues, and packaging intelligence.
- Look outside your own industry for new concepts and ideas.
- Track down potential partners.

### Considerations for action
- Open cloud.
- Share best practice and best supply chain partners on open cloud – connect to associations in your country and sector to assist.
- Become part of smart networks like Textile technology and Business centres.
- Share best practices in washing recopies and shade variation.
- List malpractices in a shared community to blacklist suppliers.
- Share new fabrics and finishes – create a community of sourcing intelligence.
- Track down companies in your vicinity that are suited for crowdsourcing.
- Make a network chart of production-related network partners.
- Multidisciplinary teams.

### Manufacturing
- LEAN implementation; share best practices and demonstrate them to fellow manufacturers.
- Build intelligence on machine procurement, best trade shows, and new technology.
- Co-create with BSOs and associations a ranking of technology, supply, and chain partners: Manufacturers Forum.
- Automation and Machinery reviews.
- Connect to CSR and OHS partners, locally and globally.
- Share and publish Code of Conduct.
- Become part of international auditing organisations.

### Considerations for action
- Share best practice: LEAN manufacturing.
- The green factory.
- Water recycling: what are the launching time and the related costs?
- Water treatment; what is the cycle to break even? Build a community of best practice co-manufacturers.
- Manufacturers forum.
- Environmental.
- Waste management.
- Form multidisciplinary teams in the factory.
- Use your workers as a cloud: they might have fantastic ideas.
- Use the factory staff as benchmark for crowdsourcing.
- CSR and social compliance: be seen and stand out from the crowd.
- Preferred supplier lists.
- Teams can solve problems better than individuals.

### Distribution
- Open cloud ERP: connect your company to GT Nexus and/or Setlog: be seen by new clients through mastering of supply chain.
- Through-put in production: connect to similar players in your field: have consigned shipments.
- Trade and shipment modes: analyse and share best practices.

### Considerations for action
- Connect to open cloud and ERP.
- Profile your company as network partner with relevant international trade bodies.
- Master costs of LCL and container shipments.
- Rank and rate packaging suppliers: share information.
- Payment and delivery conditions: what are the standards and what are the destination markets? How to manage profit and loss with your colleagues catering to the same segments?

### Marketing
- Profile your company strongly on the web and connect to the right platforms.
• List your service levels and client base.
• E-presence is more important and relevant than brochure or printed media.
• Show endorsements by your client base.
• Social commerce: word of mouth.
• E-services in production and/ or JIT.
• Open new communication channels with sector associations, buying houses, and direct clients.

**Considerations for action**

- For marketing or pitching, use figureheads to show the dynamic of your company; terms of existence, client base, and flexibility.
- Focus on good quality items that can be sold in the middle high segment.
- Highlight service levels and pre-production services.
- J.I.T (just in time) solutions and delivery; consider which service levels have an impact.
- Communicate through relevant communities, social media, and intelligence platforms.
- Consider new memberships of organisations to be endorsed to new client base.
- CSR and compliance should be amongst key indicators.
- Manage the country’s public image.

**Consumers**

- Open innovation has expanded to real-time consumers through crowdsourcing initiatives and co-creation.
- For production feedback, consumers will go to retailers first.
- ‘Made in’ or ‘Made by’ documentation is important.
- Traceability of the garments and compliance levels.

**Considerations for action**

- Co-creation with the end consumer.
- Difficult to implement in garment industry.

**Requirements**

- Crowdsourcing has no legislative requirements, since those are set amongst the players on their own initiative.
- No formal legal base has been documented.

**Useful sources**

- www.innosabi.com
- www.crowdsourcing.org
- www.15inno.com - Stefan Lindegaard
- www.massesolutions.com
- www.dr4ward.com
- www.just-style.com
- www.nurun.com

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