[source: http://www.businessnewsdaily.com/4025-what-is-crowdsourcing.html]

Crowdsourcing is a term used to describe the process of getting work or funding from a large group of people in an online setting. The basic concept behind this term is to use a large group of people for their skills, ideas and participation to generate content or help facilitate the creation of content or products.

In a sense, crowdsourcing is the distribution of problem solving. If a company needs funding for a project, marketing content for an upcoming campaign or even research for a new product, the crowd is a powerful resource capable of generating vast amounts of money, content and information.

The importance of crowdsourcing

The Internet is now a melting pot of user-generated content from blogs to Wikipedia entries to YouTube videos. The distinction between producer and consumer is no longer such a prevalent distinction as everyone is equipped with the tools needed to create as well as consume.

As a business strategy, soliciting customer input isn’t new, and open source software has proven the productivity possible through a large group of individuals.

The history of crowdsourcing

While the idea behind crowdsourcing isn’t new, its active use online as a business building strategy has only been around since 2006. The phrase was initially coined by Jeff Howe, where he described a world in which people outside of a company contribute work toward that project’s success. Video games have been utilizing crowdsourcing for many years through their beta invitation. Granting players early access to the game, studios request only that these passionate gamers report bugs and issues with gameplay as they encounter before the finished product is released for sale and distribution.

Companies utilize crowdsourcing not only in a research and development capacity, but also to simply get help from anyone for anything, whether it’s word-of-mouth marketing, creating content or giving feedback.

The benefits of crowdsourcing

Crowdsourcing is a powerful business marketing tool as it allows an organization to leverage the creativity and resources of its own audience in promoting and growing the company for free. From designing marketing campaigns to researching new products to solving difficult business roadblocks, an organization’s consumers can likely provide important guidance and answers. And, best of all, all the consumer wants in return for their opinion and effort is some recognition or even a simple reward.

Crowdsourcing increases the productivity of a company while minimizing labor expenses. The Internet is a time-proven strategy for soliciting feedback from an active and passionate consumer base. Customers today want to be involved in the companies they buy from, which makes crowdsourcing an incredibly effective tool.
The downsides of crowdsourcing

At the same time, consumers aren’t employees, which means organizations can’t contain or control them. Leveraging the interaction and resources of your audience can put an organization at risk from a public relations standpoint as things can get ugly quickly when not properly handled. Crowds may not ask for cash or free product, but they will demand satisfaction in one form or another, whether it’s recognition, freedom or honesty.

Examples of crowdsourcing

Many different types of crowdsourcing exist, helping organizations get work or funding from a large group of people at little-to-no cost to them. Kickstarter is one popular option of crowdfunding, a type of crowdsourcing where individuals pledge money toward a proposed project idea that is at the concept or pre-production stage. Consumers are essentially paying for a product before it becomes available, giving many companies the revenue needed to bring an idea to fruition. While this does not always guarantee a finished product as companies may fail or revenue generated proves insufficient, Kickstarter projects leverage the trust of the consumer by providing increased levels of honesty and transparency.

Wikipedia is another popular crowdsourcing medium. Editable by the public at large, the founding forces behind this online encyclopedia decided that rather than develop the entire website’s content themselves, they would leverage the resources, passion and time of their audience to create content. As a result, Wikipedia has become one of the most comprehensive encyclopedia resources globally.

Crowdsourcing creates an avenue through which consumers can become more actively engaged in the work companies do. As the internet continues to bridge communication divides between consumers and businesses, crowdsourcing becomes ever a more prevalent resource to be utilized.