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The business school that thinks and lives in the future

# How best to market a crowdsourced product?

By **Christoph Fuchs**

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**In the old days, companies developed products for their customers. The idea that the customer would have any role in the process beyond expressing a particular colour or flavour preference seemed unthinkable. Henry Ford supposedly said that if he had asked people what they wanted, they would have said, a faster horse. Today, more and more companies have concluded that Ford was too pessimistic and that customers actually have a lot of imagination.**

Given the right tools and asked the right questions, customers can be a font of original, marketable ideas. Companies as varied as Dell, Lego, Starbucks, and Threadless have all run crowdsourcing contests that yielded valuable product ideas. Depending on the goal and framing of the idea contest, the results may range from incremental improvements to truly disruptive new products.

When it comes to sharing the credit for the idea, however, many of those

design is definitely not something that a company should be ashamed of: past research in the consumer goods domain discovered that the quality of crowdsourced ideas can actually be better than those of professional designers. In a study conducted at the baby goods manufacturer MAM, experts were asked to compare in-house designers' concepts to user-generated ideas. Overall, the experts rated user-generated ideas higher in terms of novelty and customer benefit. User ideas

sourcing programme had run for three years, the aggregate sales revenues of a new user-generated product was on average, higher, or five times greater, than the sales of a designer-generated product. The corresponding average gross margin was also six times greater than the margin for designer-generated products. In addition, products based on crowdsourced ideas were much more likely to survive Muji's three-year trial period.

This result is not unique. One study of 3M managers, for example, found sales forecasts for concepts developed by lead users to be eight times higher than those of internally developed ideas.

It's not that the designers are bad at their work – Muji's designers have won many awards for their distinctive minimalist approach – but the company's customers may have two advantages. First, use experience. Leading-edge users, in particular, may have already *used* the product a lot and their ideas may anticipate what other consumers will demand in the future. Second, large numbers: in every competition, the staff contributed ten designs while customers always contributed at least 400.

The crowdsourcing community is likely much larger and more diverse than the team of designers employed by a given firm; a firm's user community may comprise thousands of talented users from highly diverse backgrounds. Few are likely to have any background in design, a fact that may broaden the spectrum of contemplated solutions. Often in such contests, new product ideas are simply upload- ▶

*“Admitting that you crowdsource your design is **definitely not something** that a company should be ashamed of...”*

same companies have been less forthcoming. Whether out of fear that it would diminish their brand, institutional habit, or simple pride, the fact that a product's design was crowdsourced seldom appears on labels even now.

Why this is the case is not clear. Admitting that you crowdsource your

were also placed more frequently than expected among the very best in terms of novelty and customer benefit.

Even more surprisingly, a study at the Japanese retailer Muji revealed the company's bestselling and most profitable furniture products were often crowdsourced. After Muji's crowd-

# How best to market a crowdsourced product? *(continued)*

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ed to an online platform in the form of verbal descriptions and rough concept drawings.

Yet despite these successes, and despite the fact that it's the store's most committed and influential customers who are likely to be among those coming up with the best innovations, many companies are still shy about revealing their crowdsourced products' conceptual parenthood. This didn't make much sense to us. After all, people often pay a premium for products when they know something about them, whether that's the origin (think of French wine and German engines), or something about the quality (organic or handmade).

To test whether advertising the product's origin as a customer idea might help grow sales, my colleagues and I conducted two real world experiments at Muji, one in collaboration with its food department, and one with its consumer electronics department. For each experiment, we manipulated the display of the product at the point of purchase. In one set of stores, the display said nothing about the products' crowdsourced origin. In another, we said Muji designers developed the products.

We found that in the stores where customers learned about the crowdsourced origin, sales rose by as much as 20 per cent. Why? In one of our fol-

low-up studies we found that customers generally perceive products that incorporate customers' insights to be of higher quality. In technical marketing terms, emphasising the product's design was crowdsourced constitutes a kind of social proof that it's a worthy product, not unlike user reviews on Amazon or Yelp.

tomers are believed to have expertise, but not in areas such as high-tech electronics or products that depend on the use of a special material where the designer would have special insight. Such a pitch might not work well in luxury goods either since it could spoil the illusion of rarity and exclusivity.

This should not be taken to mean that you necessarily need to crowdsource everything. Crowdsourcing can be a valuable tool, but only if it's used with the right goals in mind and in the right circumstances. Specifically:

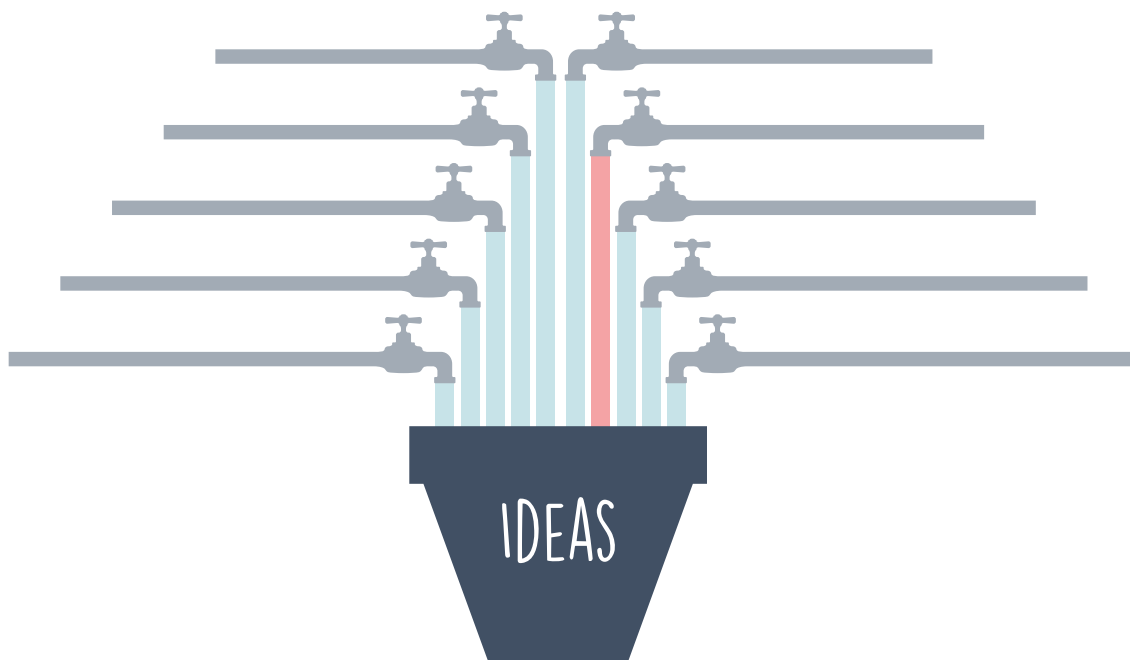
- You need to pursue a genuine goal. Crowdsourcing is a valuable tool that can help your product line, so don't waste it as a marketing gimmick. Although we have found that the public responds well to designs with a crowd-sourced origin, crowdsourcing contests that only appear to cultivate consumer responses can backfire. This tactic might help in the short run if consumers feel that the company is appreciating them and taking them seriously by making them feel that they have a voice, but if few customer ideas are implemented it can backfire. To work, a contest needs to be a very transparent process.
- You need a crowd. One-on-one, most professional R&D employees or designers will have more creative ideas than an individual, but pitting that individual against a community of 1,000 or more ordinary people changes the odds considerably. Even assuming that less than one per

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## Unique proposition

A crowdsourced design might offer a similarly compelling and unique proposition: that the design is based on product users' ideas. If consumers know a product is based on ideas of other users, they might think the product is superior because user designers should know better than designers what other users (consumers) really need. This belief is reflected in the slogan of the climbing shoe brand Red Chili: “Only climbers know what climbers need.”

However, there are a few caveats. First, the product really does have to be of good quality – if it isn't, crowdsourcing could backfire. Our findings may only hold in realms where ordinary cus-



cent of the ideas generated are original, the pursuit is still worthwhile.

- And keep in mind that consumers may have other ideas beyond the product. Consumers may also have ideas for intangibles as well such as advertising, as was seen in the crowdsourced Doritos chip Super Bowl ads. If consumers learn that an advert is made not by company professionals but by their customers, they might perceive it as more credible; consumers are generally tired of persuasion attempts by firms.
- You still need designers. Our research suggests that Muji's dual strategy of supplementing internal design with external crowdsourced

design may be the best one. Even in a crowdsourced world, talented designers remain valuable, both to create coherent product families, and to translate amateurs' ideas into workable products. No matter how popular crowdsourcing becomes, professionals will always be needed to convert a promising idea into a successful new product.

### Conclusion

A number of scholars and practitioners have noted that in a variety of industries, the distinction between consumer and producer is becoming much less clear than it used to be. Crowdsourcing and the marketing opportunity a successful new crowdsourced design represents are two more signs that this

boundary is growing increasingly fluid. Understanding the role crowdsourcing could play in your own business could be an important way to add value. ■

**This article draws its inspiration from the paper *The Value of Marketing Crowdsourced New Products as Such: Evidence from Two Randomized Field Experiments*, written by Hidehiko Nishikawa, Martin Schreier, Christoph Fuchs, and Susumu Ogawa, and accepted for publication in the *Journal of Marketing Research* (2017). <http://dx.doi.org/10.1509/jmr.15.0244>**

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