

Crowdsourcing to Get Ideas, and Perhaps Save Money

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Lee Mayer, chief executive of an interior design site called Havenly, turned to crowdsourcing to test pricing, products and website design. Theo Stroomer for The New York Times

Some of the best business ideas are inspired by others, or so the wisdom of the crowd goes. That is leading more entrepreneurs to tap into other people's brains — rather than just their pocketbooks — to test new products, set pricing and bring ideas to market faster.

Lee Mayer discovered the benefits of crowdsourcing after she had moved to a new home in Denver from New York City and struggled for three months to find an interior decorator who would work within her budget. Then, she met a decorator who wasn't booking enough business. And with that, an online interior design site called [Havenly](#) — offering services that were affordable for everyone — was born.

But before Ms. Mayer took any steps to set up the company, she turned to the crowd for advice, sending out thousands of survey forms to answer one crucial question: Would people pay for this decorating service? Before quitting her job as a business strategist and spending thousands on a new venture, Ms. Mayer wanted some sign that the venture would succeed.

"You want to make sure other people believe what you believe," said Ms. Mayer, who has an M.B.A. from Harvard and has worked as a consultant. "That takes some risk out of it."

Ms. Mayer, now chief executive of Havenly, has been turning to the masses for answers ever since, including testing

her pricing, products and website design. (The interior decorator who didn't have enough clients is now her design director.) Development is costly, reasoned Ms. Mayer, who even learned coding to start the site, so it's important to make choices that are as right as possible.

"Crowdsourcing is fast, cheap and scruffy," she said, "especially when you need to move quickly."

While well-established crowdfunding sites like Kickstarter and Indiegogo dip into people's pockets, crowdsourcing taps into their brains. Experts say that turning to the masses can even yield sharper answers than other methods.

"Crowdsourcing has replaced focus groups," said Chris Hicken, president of [UserTesting](#), a company based in Mountain View, Calif., that specializes in sifting through the ideas of crowds on behalf of online businesses. "It's faster and a lot cheaper. Innovation is going so fast that we need faster answers."

UserTesting, for instance, helped Speak, a conference calling service, adjust its web design to make it more understandable. As a result, registrations jumped 60 percent, according to Speak.

Ms. Mayer herself turned to UserTesting, which offers access to more than a million users, for ideas on Havenly's site design. Based on the feedback, one of the things she added was a budget calculator.

Such entrepreneurs may be onto something. Research shows that the best ideas come from outside a company, said [Elizabeth Gerber](#), an associate professor of design at Northwestern University.

"Employees don't question as much," she said. "Every decision feels more momentous in an innovate-or-die world."

Harnessing the brain power of outside consultants and focus groups can be costly and time-consuming. But crowdsourcing gives companies a bigger toolbox. Companies can both test new products and develop customer loyalty, Ms. Gerber said.

Speed is a crucial ingredient for success these days, researchers have found. Getting early input from consumers helps companies switch gears faster and more cheaply on products destined to fail, according to a Boston Consulting Group [survey](#) last year.

"It's harder to stay ahead these days," said Rob Hoehn, chief executive of [IdeaScale](#). "Small businesses with no R. & D. departments have the crowd." His company, which is based in Berkeley, Calif., offers software that helps companies run crowdsourcing campaigns. The firm, which started in the co-founder's garage, is seven years old and has 25 employees.

Marketing experts say companies can test new products and develop customer loyalty by turning to online surveys and other tools. Answers via crowdsourcing can be faster and more relevant, too. Theo Stroomer for The New York Times

IdeaScale, whose client roster includes big companies like Xerox and Ikea, has even run crowdsourcing campaigns for the White House, yielding money-saving ideas like a high-tech tool lending library at NASA.

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Ms. Mayer, a self-proclaimed data geek, has turned to crowdsourcing repeatedly over the last two years. One of Havenly's web features is a style survey, using crowdsourced data, that walks customers through a fun, quick questionnaire that helps define their tastes. Havenly also crowdsourced the prices for its services. A \$79 price seemed to be ideal for a "mini-design" of one room, based on surveying of users and nonusers alike.

When harnessing the crowd, questions can't be broad, though. Focusing choices between different options, is crucial. Hone questions from a set of hunches, advised Ms. Mayer, and ask as many people as possible.

Mr. Hicken suggested querying about 500 people. “That’s the right sample size,” he said. “If 75 percent say ‘yes’ to a product, you can be sure that they want it.”

Other companies have used data analysis to draw conclusions from a fire hose of information. Orit Hashay, founder of [Brayola](#), a bra seller, said she analyzed feedback from millions of women.

That user data helped her create an algorithm to allow customers to choose better-fitting bras that are also stylish. An online form helps match users to bras bought by similar women with similar preferences, minimizing the need for returns, Ms. Hashay said.

“So buying bras online can become more like buying shoes,” said Ms. Hashay, whose company logged \$6 million in revenue last year and plans to triple that this year. And now customers talk about their bras on Instagram and Pinterest, she said, helping her market expand via social media. On the company’s [Facebook page](#), which has more than 360,000 likes, women voice their views on colors or brands.

Other online retailers are turning to crowds for the final say on which products to develop.

Josh Gustin, co-founder of the online men’s wear store [Gustin](#) in San Francisco, put his own twist on crowdsourcing. He was searching for a better way to sell his handmade wares, which include jeans from denim woven on vintage shuttle looms. Three years ago, he hit on a new idea partly inspired by Kickstarter: asking customers to financially back the apparel they like.

“We suffered through the old retail model,” he said, “and the capital requirements. You can never guess right.” And even using the crowdsourced model, some jacket or shirt designs that were shown online as prototypes didn’t end up attracting enough buyers, he said.

The company’s new approach is simple, yet deeply cost-effective. A garment is designed and then posted on the site. If 100 people order it, for example, it goes into production. The result: zero inventory and zero waste. The system also allows the company, Mr. Gustin said, to offer jeans once priced at more than \$205 for \$81, and a \$200 Japanese cotton button-down shirt for \$69.

Testing a garment’s crowd appeal has yielded some surprises, Mr. Gustin said, like the demand for red denim. Over all, Mr. Gustin said, he no longer had to risk capital to innovate or fill up warehouses, and has experimented with 300 different types of denim in three years.

“Retail is old-fashioned,” said Mr. Gustin, who used to work at technology software companies. “But we wanted to break every rule. We took nothing for granted.”



Crowdsourcing does have its risks, however. For example, trade secrets may be inadvertently revealed, said Ms. Gerber of Northwestern.

To guard against that, entrepreneurs can survey small bites of information rather than reveal their entire strategies.

Another benefit for companies is that crowds typically are not offered payment for their input, saving companies on market research costs.

But the people in the crowd “do get bragging rights,” she said. “So there are reputation benefits.”

Correction: May 11, 2016

An earlier version of this article misstated last year’s revenue for Brayola. It was \$6 million, not \$16 million.