

Unlocking the Power of Crowds

Exploring Crowdsourcing and Crowdfunding Initiatives in Europe

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Abstract

The world of crowdsourcing and crowdfunding in Europe is a dynamic and transformative space that has been significantly impacted by the rapid growth of digital technologies. This innovative approach has become a game-changer for entrepreneurs, startups, and creative individuals as it harnesses the collective intelligence and financial support of people. Various platforms and mechanisms are driving crowdsourcing and crowdfunding initiatives in Europe, leading to success stories, emerging trends, and potential benefits for all participants. This article aims to analyze some of the various emerging trends in crowdsourcing and crowdfunding across Europe while highlighting their potential benefits for those seeking funding or collaboration opportunities. It further examines both crowdsourcing and crowdfunding advantages & disadvantages. Ultimately, this article aims to unlock the full potential of collaboration between people from diverse backgrounds by exploring ways to leverage crowdsourcing & crowdfunding effectively.

Keywords: Crowdsourcing; Crowdfunding; Platforms; Benefits; Collaboration.

Introduction

The recent proliferation and development of internet technology have brought about powerful models for problem-solving, innovation, crowdsourcing and crowdfunding. These models have taken root in numerous industries worldwide as a means to leverage the collective expertise and financial resources of the online community. Europe has not been left behind in this technological revolution. It is currently experiencing a boom in crowdsourcing and crowdfunding activities that are allowing businesses to benefit from community engagement. The rise of these models can be attributed to their decentralization of tasks and the ability to engage a diverse crowd with complementary skills, knowledge, and creativity.

To develop an understanding of crowdsourcing phenomenon, Howe (2006) defines it as “the act of taking a task traditionally performed by an employee or contractor and outsourcing it to an undefined, generally large group of people or community in the form of an open call.” It emphasizes that crowdsourcing involves engaging a vast

number of people who work together toward achieving specific goals. Crowdsourcing decentralized nature allows organizations to tap into various skill sets while saving time on recruitment processes.

Crowdfunding is another concept that has gained prominence as an alternative funding model for startups, creative projects, and social causes. It is one of the most visible forms of crowdsourcing. (Brown, 2018). Europe's crowdfunding ecosystem is diverse with a multitude of platforms catering to different funding needs. This way there are more opportunities for individuals seeking investment opportunities than ever before due to these growing platforms available throughout Europe. Moreover, this research will explore the key platforms driving crowdsourcing and crowdfunding in Europe. By examining the features, functionalities, and success stories of these platforms, this study aims to provide a comprehensive overview of the European crowdfunding landscape.

Early Applications

The utilization of crowdsourcing is not a new concept, it has been employed in problem-solving and innovation areas. For instance, Procter & Gamble has been an early adopter of this method by using online platforms to provoke consumers' participation in developing new products and generating ideas. This approach enables companies to utilize the knowledge and creativity of the crowd to enhance their product offerings.

Moreover, crowdfunding platforms such as Indiegogo and Kick-starter have become popular ways of crowdsourcing because they allow entrepreneurs and innovators to obtain funding from the general public for turning their ideas into reality. These platforms provide opportunities for small businesses and individuals to access capital from a broad range of supporters which validates their concepts.

Businesses are realizing that they can leverage the collective intelligence of online communities to inform marketing decisions, improve consumer interaction, and gather feedback on products or services. Early practitioners who recognized these benefits include iStockphoto which sells photographs submitted by photographers through its marketplace, while Threadless operates as an online t-shirt company that crowd-sources designs from users.

Photography resources offered by iStockphoto catered to various creative needs within e-marketing thus, people who get rewarded for coming up with creative ideas tend to limit themselves to only producing high-creativity ideas.

A website named InnoCentive connects businesses and organizations with scientists and experts who are capable of addressing innovation challenges. In order to tackle

problems in product development and innovation, InnoCentive has established a worldwide network of innovators that use crowdsourcing. De Schrynmakers and Léandre (2017) and Brabham (2013) acknowledge this fact.

Threadless, another website founded in 2000, started its crowd-sourcing model for t-shirt designs which allows artists to produce and display unique t-shirts they developed independently. Designs submitted by the artists are voted on by the community, which is an ongoing initiative attributed to Threadless' SUCCESS (Brown, 2016 & Brabham, 2013).

To crowdsource ideas for new products, design elements, marketing campaigns, and brand strategies, companies have been using social media channels as well as dedicated platforms. Businesses can tap into the creativity and preferences of their target audience through open calls and public voting. This fosters a sense of ownership and loyalty among customers.

The power of collective intelligence

Crowdsourcing has revolutionized the way we approach problem-solving, idea generation, and decision-making. This technique capitalizes on the power of collective intelligence by bringing together a diverse group of individuals to pool their knowledge and expertise toward a common goal. Rather than relying on the input of just one individual, crowdsourcing allows for contributions from multiple people with different backgrounds and experiences.

Collective intelligence (Surowiecki, 2004) is an integral part of this process. It is the ability of a group to surpass individual members in terms of creativity, problem-solving skills, and innovative ideas. The collective wisdom which derives from the collaboration of various minds leads to better outcomes than what would be achieved if each person worked independently.

The success of crowdsourcing is largely attributed to specialized platforms and algorithms that make it possible to aggregate contributions from numerous sources while identifying key patterns and themes. These platforms enable analysis that extracts valuable insights from large amounts of data generated through crowdsourcing efforts.

The renowned streaming service, Netflix, has proficiently employed the concepts of crowdsourcing and collective intelligence to argue its recommendation system. In 2006, Netflix initiated the Netflix Prize competition which urged participants to design algorithms that could enhance the precision of the movie recommendation system on their platform (Bennett & Lanning, 2007). By opening up this issue to a widespread community of specialists in machine learning and data science, Netflix effectively leveraged collective intelligence to refine its recommendation algorithm and furnish individualized content recommendations to users.

Researchers at Stanford and Princeton University (Russakovsky et al., 2015) have developed the ImageNet Large Scale Visual Recognition Challenge 2015 (ILSVRC2015), which is an exemplary model of crowdsourcing and collective intelligence. The researchers adopted a unique approach to training their image recognition algorithm by utilizing annotations contributed by crowd-sourced participants. Essentially, many individuals were able to contribute their expertise, and these contributions were aggregated to achieve remarkable accuracy in recognizing and classifying objects in images.

The potential of crowdsourcing and collective intelligence goes beyond mere image classification or simple tasks as it can significantly improve the capabilities of algorithms and systems. Organizations can take advantage of this power by tapping into the collective knowledge and talents of a diverse crowd to achieve remarkable outcomes, drive innovation, and spur growth.

While crowdsourcing has many advantages for businesses operating in e-marketing, it also has some disadvantages that must be carefully considered. Weighing the advantages and disadvantages can help organizations make informed decisions about whether or not to incorporate crowd-sourcing into their marketing strategies effectively. Therefore, businesses need to consider various factors such as costs versus benefits, quality control issues such as biases or inconsistencies in data collection, and intellectual property concerns related to ownership rights over contributed content or ideas before integrating these techniques into their operations.

The key platforms driving crowdsourcing in Europe

In Europe, there are some important websites that connect people who need help on certain projects with others who can provide a solution. These sites make it easy for everyone to work together and come up with creative ideas.

- One such site is OpenIDEO (www.openideo.com) which concentrates on finding solutions to social problems by bringing people from different fields together. They use a special process called “design thinking” where contributors share their ideas, discuss the feedback and create new solutions to problems.
- Kaggle (www.kaggle.com) is a platform that serves as an intermediary for individuals who specialize in the fields of machine learning and data science. It facilitates contests centered on data-driven challenges where competitors have the opportunity to showcase their proficiency by resolving practical issues. Upon organizations posting their datasets and problem statements, participants engage in a competition to develop the most precise and innovative solutions. The platform promotes collaboration, knowledge transfer, and competency enhancement within the community of data scientists.

- Clickworker (www.clickworker.com) is a platform for crowdsourcing that offers an extensive range of microtasks to a distributed workforce. Project creators can assign brief assignments to numerous remote workers, comprising content moderation, data entry, and image tagging. The prompt fulfillment of these tasks by click-workers provides cost-efficient solutions to organizations.
- IdeaScale (www.ideascale.com) is a tool for getting input from lots of people at once. It's great for businesses who want to hear from their customers, workers, and other partners about new ideas or changes they'd like to see. Using IdeaScale, you can get everyone's opinions and then pick the best ones to go forward with.
- The platform Wazokucrowd (www.wazokucrowd.com) is all about solving problems and being creative. It connects companies that are stuck with tough challenges to a huge group of problem-solvers who come up with solutions. These folks compete against each other to see who can offer the best ideas by using their skills and know-how in areas like science, technology, or business.
- So, there's this website called 99designs (99designs.com) that's all about graphic design. Basically, they hook up people and businesses with a whole bunch of super talented designers who compete to create the coolest designs for stuff like logos, websites, and packaging. It's really neat because customers get a lot of different options to choose from and can pick the one they like best.

The key platforms driving crowdfunding in Europe

Crowdfunding is gaining importance in Europe as a feasible option to support new businesses, social causes, and creative pursuits. The concept has become more streamlined with the emergence of various prominent platforms that facilitate this trend. These platforms allow entrepreneurs and creators to tap into a vast network of people who are willing to fund their projects. This paper analyses some of the leading crowdfunding websites in Europe.

- Seedrs, founded in 2009 and headquartered in the United Kingdom, is a leading equity crowd-funding platform in Europe (www.seedrs.com). Seedrs' commitment towards facilitating entrepreneurship is commendable; it has consistently proved itself as one of the most reliable sources for startups to raise funds through its intuitive platform designed specifically for this purpose. This approach also ensures that investing becomes more democratic as everyone can participate regardless of their wealth or professional background. The success of Seedrs lies not only in its dedication towards supporting innovative projects but also its seamless user experience (UX) which includes simple registration process, comprehensive investor tools & resources, transparent reporting standards amongst others. Seedrs' focus on bridging the gap between ambitious entrepreneurs and individual investors makes it one of the most sought-after crowdfunding platforms across Europe today.

- Ulule is a website where people can raise money for their creative ideas and new businesses. It started in France (www.ulule.com). The cool thing about Ulule is that if you donate money to a project, the person who created it will give you a special prize based on how much you gave. This website is all about bringing people together and working as a team to make awesome things happen! People from all over Europe are using Ulule to fund their projects in art, culture, and innovation.
- Companisto is a famous crowdfunding site which started in Germany (www.companisto.com) back in 2012. Basically, you can invest your money and become a shareholder in startups and growing companies through this platform. Companisto has made it possible for regular people like you and me to support new businesses and get involved in exciting projects. This has helped to make investing more accessible to everyone.
- Kickstarter is a website that started in the US way back in 2009. It has now become famous all over the world, so people from Europe (www.kickstarter.com) and other places can share their cool ideas as well. This site works by letting people pledge money to different projects and then get prizes or rewards in return. Kick starter has helped lots of creative people from Europe make their dreams come true by getting support from other folks who believe in what they're doing.
- Another crowdfunding platform that's quite popular is Go Fund Me, which started back in 2010. It's available in many countries including the UK. People use it to raise money for all sorts of things like medical bills, education expenses and community projects (www.gofundme.com). With its simple set up, it's a hit with charities and anyone else who needs financial help due to unforeseen circumstances. You can create a campaign on GoFundMe without too much trouble and get donations from people all over the world easily.
- The global crowdsourcing platform, Indiegogo, has become quite popular in Europe due to its diverse funding options. Founded back in 2008, Indiegogo (www.indiegogo.com) offers a range of financing mechanisms that include both reward-based and equity-based selections. This unique feature of the platform has made it possible for individuals from different walks of life to explore numerous opportunities for financial assistance. What's even more interesting is that Indiegogo has played a vital role in supporting various projects ranging from creative artworks to entrepreneurial ventures and social initiatives. As such, it serves as an excellent conduit for European project creators who want access to an international audience.

Crowdfunding platforms in Europe have played a pivotal role in transforming the crowdfunding ecosystem. With their accessible and user-friendly interfaces, these platforms have made it easier for individuals to invest in projects of their interest.

Additionally, they have facilitated smoother interactions between investors and project creators, allowing for more efficient communication and collaboration. By establishing a diverse community of potential supporters, these platforms have encouraged innovation and entrepreneurial activity, thus contributing significantly to the growth and success of crowdfunding in Europe. Furthermore, they have fostered greater community engagement by providing an inclusive space where individuals from various backgrounds can come together to support projects they believe in. As such, these crowdfunding platforms have had a profound impact on Europe's economy and society as a whole.

Advantages of Crowdsourcing

Organizations nowadays have the opportunity to tap into a vast array of talent and viewpoints by utilizing crowdsourcing, which can lead to the development of innovative ideas and solutions (Howe, 2006). For instance, the LEGO Ideas platform is one such example that has proved to be successful in generating popular kits like LEGO NASA Apollo Saturn V - a custom-designed model that received great appreciation from fans and immense commercial success.

Crowdsourcing is considered an economically viable alternative to traditional research and development methods. It enables businesses to benefit from the collective intelligence and skill of the public without having to incur significant internal costs by outsourcing work (Brabham, 2008). The online t-shirt retailer Threadless uses crowd sourcing as means of getting designs from independent artists, completely eliminating the need for an in-house design team. This approach has not only allowed them to save money but also helped them build strong connections with their customers by giving them a chance to contribute their creative ideas. If a company wants to get customers engaged and loyalty they can use crowdsourcing which makes people feel like they're part of something. When a company recognizes the ideas and contributions of its customers, it creates stronger relationships with them. Starbucks is an example of this. They let people share their ideas on My Starbucks Idea platform, launched in 2011, and this helped to improve Starbucks relationship with loyal customers.

Crowdsourcing is also super useful for getting lots of quick feedback and ideas from a large group of people. This can help companies solve problems faster and make better decisions. "The crowdsourcer will obtain the solution to the problem via the fulfilment of a given action or task by the crowd. The crowdsourcer will benefit from the work of the crowd, from its experience, from its knowledge, and also, in the case of crowdfunding, from its assets". (Estellés-Arolas & González-Ladrón-de-Guevara, 2012).

Advantages of crowdfunding

“Crowdfunding allows founders of for-profit, artistic, and cultural ventures to fund their efforts by drawing on relatively small contributions from a relatively large number of individuals using the internet, without standard financial intermediaries” (Mollick, 2014).

Crowdfunding serves as an ideal platform for testing market demand and validating ideas before bringing a product or service to market. By assessing interest and securing financial support from backers, creators can gain valuable insights and boost confidence in their business concepts (Ordanini et al., 2011).

“Crowdfunding systems enable users to make investments in various types of projects and ventures, often in small amounts, outside of a regulated exchange, using online social media platforms that facilitate direct interaction between investors as well as with the individual(s) raising funds”. (Agrawal, Catalini & Goldfarb, 2011).

Crowd-funding creates a sense of community involvement because backers get emotionally invested in the project’s success. It provides an opportunity for direct interaction between creators and supporters, leading to a loyal and supportive community around the venture (Burtch, Ghose & Wattal, 2013).

The exposure generated by crowd-funding campaigns can increase brand awareness, generate positive publicity, and attract potential customers or partners who may not have otherwise discovered the business. As well as providing financial support through backing projects on crowdfunding sites, it fosters direct interaction between creators and backers. Backers become emotionally invested in the success of the project they have backed leading them to provide direct feedback on how they perceive the project should progress. Community engagement is thus another benefit of using crowdfunding platforms since successful campaigns create loyal communities around ventures leading to long-term support from fans of these enterprises.

Disadvantages of Crowdsourcing

Maintaining quality standards can be difficult with crowdsourcing as not all contributions may be reliable and viable, which can result in a considerable amount of noise. Therefore, submissions must undergo careful evaluation and filtering to ensure their validity. Legal concerns are also raised due to the submission of original work through crowdsourcing. Hence, clear agreements and legal frameworks are necessary to protect contributors’ rights and ensure proper ownership of generated content (Brabham, 2013). Often the crowd lacks of expertise or domain knowledge and this may limit their accuracy and depth of contributions, especially in specialized fields. This way a better approach is to use a flexible open call (Estellés-Arolas & González-Ladrón-de-Guevara, 2012). Effective coordination, communication

and oversight are essential for managing a crowd sourcing campaign since coordinating efforts from a diverse geographically dispersed audience is challenging without well-defined processes or collaboration platforms. One other important, negative aspect of crowdsourcing is the loss of privacy (Brown, 2016).

Disadvantages of Crowdfunding

Investor protection can be often inadequate in crowd-funding platforms due to the lack of regulatory framework and safeguards that are present in conventional investment avenues, which may expose supporters to a higher risk of project failure or fraudulent activities.

Crowdfunding can also pose the risk of infringement of intellectual property rights as they present their ideas and concepts to an extensive audience that may include potential competitors. Creators report being deterred by the possibility of idea theft. (Gerber & Hui, 2013).

Failed crowdfunding campaigns or delayed projects can potentially damage the reputation of entrepreneurs and their ventures leading to adverse impacts on future funding prospects or partnerships (Mollick & Ethan, 2013).

Debt-based crowdfunding models require repayment obligations with interest payments to backers that could result in financial obligations for entrepreneurs and limit their flexibility in managing cash flows (Cholakova&Clarysse, 2015).

Conclusions

This paper discusses the concepts of crowdsourcing and crowdfunding. There are several platforms driving crowd-sourcing and crowd-founding in Europe, like OpenIdeo, Kaggle, Clickworker, IdeaScale, Wazokucrowd, Seeds, Ulule, Companisto, Kickstarter, Go Fund Me, Indiegogo.

Crowdsourcing offers numerous advantages for organizations seeking innovative ideas and cost-effective solutions. By tapping into a diverse pool of talent and viewpoints, businesses can generate novel ideas and solutions that may not have been possible through traditional research and development methods. Additionally, crowdsourcing allows organizations to leverage the collective intelligence and skills of the public without incurring significant internal costs. However, crowdsourcing also presents several challenges and disadvantages. Maintaining quality standards can be a significant issue, as not all contributions may be reliable or viable. To mitigate this, careful evaluation and filtering of submissions are necessary to ensure the validity of the ideas. Legal concerns also arise with the submission of original work, necessitating

clear agreements and legal frameworks to protect contributors' rights and establish ownership of the generated content. Additionally, the lack of expertise or domain knowledge among the crowd can limit the accuracy and depth of contributions, particularly in specialized fields. Effective coordination, communication, and oversight are crucial for managing crowdsourcing campaigns, given the challenges of coordinating efforts from a geographically dispersed and diverse audience.

In conclusion, while crowdsourcing offers significant advantages such as access to a vast talent pool and cost savings, it also presents challenges related to maintaining quality standards, legal considerations, and expertise limitations. Organizations must carefully evaluate and filter submissions, establish clear legal frameworks, and ensure effective coordination and communication to harness the full potential of crowdsourcing. With proper management, crowdsourcing can be a valuable tool for organizations seeking to engage customers, foster innovation, and make informed decisions based on diverse perspectives.

Regarding crowdfunding platforms, they have become an important option for supporting business, social causes, and creative endeavors in Europe. Crowdfunding platforms have improved the crowdfunding process by allowing entrepreneurs and creators to access a wide network of potential supporters. These platforms have bridged the gap between project initiators and investors and formed the alternative finance industry. They have contributed to the growth and success of crowdfunding in Europe by promoting innovation, market validation, community engagement, and interaction. However, it is important to consider potential risks associated with crowdfunding such as inadequate investor protection, intellectual property concerns, reputation damage or financial obligations for entrepreneurs.

One advantage of crowdfunding is access to a larger group of potential investors, allowing entrepreneurs and project creators to obtain capital without relying solely on traditional funding sources. Crowdfunding also serves as a valuable platform for testing market demand and validating business ideas before launching a product or service. Through crowdfunding campaigns, creators can evaluate interest, gain valuable knowledge, and create buzz around their business concepts. This exposure also contributes to brand awareness and attracts potential customers or partners. Additionally, crowdfunding encourages community involvement and emotional investment in the success of the project, creating a loyal support network for the startup.

Despite the risks and challenges associated with crowdfunding, investor protection is often inadequate on these platforms. This can leave supporters exposed to a higher risk of project failure due to the lack of regulatory framework and protective measures. Crowdfunding can also expose entrepreneurs and creators to the risk of

intellectual property infringement, as they present their ideas to a wide audience including potential competitors. Failed crowdfunding campaigns can negatively impact the reputation of entrepreneurs and their ventures, potentially affecting future financing opportunities. As crowdfunding continues to grow, it is crucial to address these challenges and establish regulatory frameworks that ensure sustainability and integrity of the European crowdfunding ecosystem.


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