As more companies turn to "crowdsourcing" for business feedback, the customer may not always be right but they're definitely becoming more influential.

The term "crowdsourcing" means exactly what you might think. Rather than asking a handful of executives for advice on a corporate decision or product launch, companies are outsourcing opinions to the crowd-turning to their adoring (or sometimes critical) client base.

"You could crowdsource the building of a car if you wanted to," said Phillip Wilson, author of The Next 52 Weeks: One Year to Transform Your Workplace and founder of the Labor Relations Institute. "But most companies are using it for advice on the design of something. It works well in the building of software and writing projects because it relies on the magic of the networking world."

Companies that do well with crowdsourcing are open to learning from the "herd" said Wilson. A company has to be willing to learn from the people it comes into contact with. When customers give feedback they feel like they're a part of the business, and as they grow more connected to a business they grow more connected to its products, Wilson said.

The social Web has broken a barrier, according to Wilson, who said that in the past some companies might have perceived asking its customers for advice as admitting a weakness. Today, a company is seen as "feeble" when it isn't open to learning about its flaws.
“If you look at sites like Yelp and Amazon that have product reviews, the crowd is way smarter and has solved hundreds of problems that the company can’t get to fast enough,” said Wilson. “Old school thought would tell us that a company had failed its customers by not figuring out answers to every question, but today we know if we turn the keys over to our customers, they like helping us out.”

One company, Swaptree.com, a Web site that allows members to swap books, movies, DVDs, and CDs, engages in crowdsourcing via Twitter, Facebook, and its own 1-million strong community of Swappers. Swaptree recently asked a simple question: What should our new tagline be? Over 300 people submitted suggestions, and the winner gets nothing besides recognition on the site, which founder and CEO Jeff Bennett says is all they really want.

“The core of our business is community, and it’s only going to be that if people are engaged with it,” Bennett said. “I think it’s an insult to those who participate in such communities to say that everything has to be about remuneration. That’s not the way the social web works.”

But Jonathan Askin, an associate professor of clinical law at Brooklyn Law School, said that the legal lines around crowdsourcing aren’t as simple as they might seem.

“Copyright law hasn’t evolved as quickly as the Internet,” said Askin. “We don’t have the right structure to protect information that has been crowdsourced by a large group of people to a company that aggregates it.”

Askin said that while he hasn’t seen any strong data on the ownership of crowdsourced information, there may be litigation seen in the near term. Companies must make it clear that when an opinion or idea is offered (like a new tagline, for example) the user providing the information is signing all rights to their intellectual property over to the company.

Another potential issue is that of labor implications, not necessarily in the U.S. but in other countries worldwide.

“Don’t discount that companies are getting free work. While people might laugh that off, we’ve had litigation before over unpaid internships that said it was wrong to use people without giving them something in return. Perhaps with crowdsourcing we’re not giving people their fair value for their input,” said Askin.

Companies must make sure that everyone who has even a small role in the evolution of a product gets reimbursed, or understands that a website shout-out or small prize may be all that’s offered for compensation, Askin said.

One company that feels strongly about rewarding contributors is stationery and invitation design company Minted, where designers submit their own artwork to be used on stationery sold on Minted.com. The company pays a cash prize of up to $5,000, along with 5% of all future net revenue of the product. The company recently tallied over 200,000 votes for its annual holiday card challenge in which over 1,400 designs were voted on. Founder Mariam Naficy says the wisdom of the crowd produces a better assortment of designs than any one person acting alone ever could.

“We want the designs living true to our mission, to make sure we give everyone a chance,” said Naficy. “We want emerging designers to be given a gateway to success and be rewarded for their work. It’s an amazing way for our customers to enjoy beautiful products from designers all over the world.”

Naficy said the Minted.com community is now something deeper than just design. Designers who
met on Minted.com have begun scheduling in-person meetups and getting together to socialize and collaborate.

"I'm hearing from a lot of people who say they like working collectively on a task. To me this is the definition of crowdsourcing: people working together to create something beautiful. They've always done it, but the Internet has offered a gateway to new possibilities," Naficy said.

At Minted, crowdsourcing doesn't just serve as a way to gain feedback; it's a way of life for the business, just as it is at Open Runway.com, a crowdsourced design house that allows users to create their own shoes. Open Runway co-founder and CEO Monika Desai said designers can earn up to $2,000 if their design is selected -- via crowdsourcing, of course -- to be sold online. The shoes start at around $140 per pair.

"We believe shoppers should have a voice in the design experience," said Desai. "Crowdsourcing on the whole is a great way for companies to engage their shoppers and learn what their customers want. It's a powerful thing to think that you could help co-create a brand, and that's the world we live in today."

While Open Runway only does shoes for now, Desai has plans to branch out into apparel, accessories and handbags. As long as the site stays well-connected to its community, Desai says that there's no limit to what can be created.