

Joe: Hi everyone, this is Joe Hage, the Leader of the Medical Devices Group. We are going to start at the top of the hour, but I wanted to say hi and thanks for getting here early. We already have David, the founder of Daily Crowdfund, on the line, and Stephen, the Senior Marketing Director at Kimberly-Clark, will join us later. On the right-hand side of your screen, you'll see a chat box, so while we're waiting I invite you to say hi, who you are, Joe I can hear you, Joe I can't hear you, I can see the screen, I can't see the screen, and that kind of thing, just to make sure that we can start at the top of the hour with no tech problems at all. David or Steve, if you want to say hi to the fine folks out there in Internet land, you're welcome to do so.

David: Yes, absolutely. Thank you, Joe. It's a pleasure to be here. I'm really looking forward to helping you guys understand something that I feel is very helpful, outsourcing. So thank you.

Joe: Mm-hmm.

David: And as Joe was saying, if you have any questions, we get a ton of questions when we give these presentations. There is a lot to learn and everyone always has a different set of applications, so please use the chat box, the question box. We're going to have some time at the end to do Q&A. The more questions we get, the more we can understand what you guys are wanting to know.

Joe: Excellent. And Jack can hear us fine. Thank you, Jack. Actually, Jack gets the prize for being here first. He got here 15 minutes early. So I don't know if you have some kind of crowdsourcing swag to throw Jack's way.

David: I'll see what I can do.

Joe: Alright.

David: Jack, since you were first, what do you want to know?

Joe: He asks...can you see this?

David: I can. It was really small but I'm opening it up just now.

Joe: "How many projects have been developed using such an approach?" So I think, Jack, you're asking how many medical devices were launched using crowdsourcing?

David: If he's asking specifically for medical device projects, that would be a good question for Alex. I think he might even have that in his presentation. In terms of just all-around projects, there's not an exact number but definitely over the hundreds. It's used quite a bit. In fact, Steve's done several. Steve, if you're here, do you have a number of how many you've done personally? I think Steve might be unavailable at the moment, but I know it's used very extensively.

Joe: It looks like he's back. Steve, are you back?

Steve: Yeah. For some reason I dropped out, but I have successfully returned. My apologies.

Joe: Were you able to hear the conversation?

Steve: I heard David introducing himself and begging people for questions but beyond that no.

Joe: Well, a question came your way already as I was sharing with the audience that's just beginning to file one now. I thought we'd casually start with, you know, "Hey, everybody, can you hear me?" and Jack raised his hand and he asked a question. Oh, look at that! Hi from Munich. Oh, I love this Internet thing. Jack was asking, how many projects have been developed using crowdsourcing? I think he's talking specifically about crowd funding. I know our presentation will talk about crowd funding but also other ways to use the crowd. And David asked you, how many projects has Kimberly-Clark used crowdsourcing on?

Steve: This is the singular example, on our baby and child care business under the Huggies brand name, although we've been at it for about three years in the US. We've also launched the same program, even the same model, in Australia, and this year we're going for what we're calling gen 2 of the program with some enhancements I'll speak about in the course of the webinar. So we hope to help other consumer sectors but we've just about proven it out and we'll be looking for other business examples.

Joe: Steve, are you on a landline or a cell phone?

Steve: I'm on a cell phone.

Joe: You kind of cut out there a little bit. Are you able to dial in on a landline?

Steve: Unfortunately, I'm not. I don't own a landline anymore.

Joe: [Laughs] Okay.

David: [Laughs] Outside of my office, I do not either actually.

Joe: Uh-huh.

David: Stephen, in your Huggies MomInspired, you do it on somewhat on seasons or projects, don't you guys develop or help out more than one project at a time?

Steve: Oh, I think we're getting to the definition of what the project, but I have to say...

Joe: Okay, let's save that for...

Steve: Yeah.

Joe: ...we're almost at the top of the hour, so we'll do our formal bid and we'll record it and...

David: I do want to answer one more thing, Joe.

Joe: Yeah, please.

David: It was a question I came in...actually two, real quick. Who owns the IP and how many projects were crowd funded? At the end of the webinar, I'm going to hand out some research that has that...I believe it has that exact number in it. It's been a little while since I've looked, but it has the exact number of projects that were crowd funded. I don't know it off the top of my head, but when you download this report you'll see it.

Joe: Okay, that sounds good.

David: And then, who owns the IP? Luckily, the good thing is you do. Yeah, it comes from the crowd, but there's a lot of legal stuff in place, per platform obviously, that makes sure you own the IP. Although you could do it in other terms where the crowd owns the IP. That might work in some scenarios. But it's really up to you.

Joe: Okay, well, here we are at the top of the hour, so let's start the formal part of our presentation. And in that spirit, I'll be all formal and say, hi, I'm Joe Hage, and I am the Leader of the Medical Devices Group, and I love these webinars.

The history of this one, a few weeks back we had a group member who was having a really tough time funding what is a great idea and is close to getting FDA clearance, and he's at his wit's end and looking for alternatives. And David Bratvold, the founder of Daily Crowdsourc, jumped on that conversation and talked a bit about crowdsourcing and subsequently said, "I'd be happy to offer a free webinar to the group." So first, before we begin it all, David, thank you very much for your generosity, and I'm confident that the group members that have

chosen to join us live and those who will listen afterward will get a lot out of this presentation.

Also joining us from his busy day, Stephen...I'm not going to try that last name.

Steve: Paljieg.

Joe: Thank you.

Steve: Oh, we should encourage Joe. It's Paljieg.

Joe: Paljieg, okay. I should have practiced ahead of time. He's the Senior Marketing Director from Kimberly-Clark and he has a live example how he used crowdsourcing. And not yet on the line but joining us shortly is Alex Fair. He is the cofounder and CEO of MedStartr, and he focuses specifically in the crowd funding space, which I'm sure is a topic of interest for many of you on the line. As they say, with no further ado, David, I'll put myself on mute for a while, and take it away. Thank you very much.

David: Thank you, Joe. Yes, it's a pleasure to be here. I'm happy to teach you guys about crowdsourcing. The thing I want everyone to understand is it's a process that can be used for a lot of different areas, but it can really help you cut costs and speed up your work if used properly.

And also, just so you guys know, one of the things I do is we run Daily Crowdsourcing, which is a free platform to learn about crowdsourcing. We also put together a conference. We're doing one at the end of this month. In fact, Stephen's going to be there. Whether or not you come though, it's my opportunity to put in value in this hour. I want you guys to walk away saying, "Okay, I know what crowdsourcing is. I know how to use it." And at the very end, if you stay till the end, we're going to provide some research, got two research reports for you. Does that sound fair? Great, I'd love to give this to you.

So crowdsourcing basically is getting a crowd of people to help you with a task that used to take one person. An example that may or not be in line with what you need but it really helps you understand it is a logo design. Traditionally, you would go to a freelancer, an agency, do-it-yourself, you would get some person to create a logo for you. Nowadays, you can go to a crowd of people and get a hundred, a thousand people to each make a custom logo for you and you pick the best one.

Now, that's just an example. It can be used in a lot of different aspects, and we'll get into that. But the point I want you to understand is crowdsourcing is a work process, just like freelancing, outsourcing or even hiring an assistant. Once you

understand the concept, you can realize it goes beyond just logos into processing work, such as research. If you wanted to get the emails of all the top colleges in the country, crowdsourcing will help you do it a lot faster than just hiring someone to do it.

Now, with that, we don't want you to get caught up in the definition of crowdsourcing. Anytime you're using a crowd, it's very good. Okay, so crowdsourcing itself can be broken down into four different areas, and each one works a little bit differently.

Microtasks is taking a project and breaking it up into steps that can be done in about three seconds to a minute and usually pays somebody about a half a cent, a penny, five cents. An example is image tagging. There was a company that needed 400,000 images to be tagged. Other than hire someone to tag each one, they hired a crowd, 400,000 people, each tag one image. Saved substantial money.

It can also be used for research and data validation. Microtask, that's more of the innovation aspect. GE, for example, is opening up to the crowd, "Hey, we want to cure cancer," and it's looking for specialists to dive in where they see fit in the program. They get to dive in on their own. You're looking for specialists outside of your network.

Crowd funding, which I'm sure most of you are familiar with and I know you're all interested, that's going to a crowd of people to get them to fund your project, whether in return you're giving them a reward, some equity, debt, donations. There are various different aspects, and Alex will go in-depth on this.

And contests, and this is in the creative realm, usually, getting a logo designed, we'll go over some of this in just a minute, but getting a logo designed, business names. It's kind of a winner-take-all. You put the call out there of what you need, you set the budget, and people will compete for what you need, basically.

Now, how are the world's best brands using it, or, AKA, how can you, med dev companies, use crowdsourcing? There are several different uses. I'll list here a couple of the common uses.

First one is graphic design. You might not need a logo, but maybe you need to design your website or get a brochure, a sales brochure that you can hand out to a physician that you'll see here on the right, or on the left, these are trade show display designs, any type of design work you need. It's very common to use a platform. The best platform we've found is 99designs.com.

So it's not really building your product for you, it's once you need to start marketing it, rather than hiring someone you can go and get the best quality of work. The brilliance is you set your budget for each project. So you say, "Hey, I need a trade show design. I can spend 600 dollars." You'll get 50, 100 different designs to choose from. These can be other sales materials, direct mail or it's just about anything that can be designed.

Let me know if this isn't clear. It's fundamental that you understand the core concept before you learn where else it can be applied.

Another area is video. You may not think, "I need video or any sort of advertising," but if you need a demonstration video, much like the one you should be seeing here, you might be real competent in creating a medical device, but how about when it comes to present it physicians? Do you want to spend your time developing these videos or find a professional to do it for you?

Open innovation – this is something Stephen is going to talk about in more depth, but providing feedback through the innovation development process ends up a higher chance of success once you go to market.

Another common use is blog post creation. You might be thinking, "Well, I don't do a blog." Any type of text content you have to create, again, rather than it taking away from your time where you're building the company, your marketing side of things where you are creating maybe a weekly newsletter to keep this physician in a loop, knowledge base or an FAQ. Crowds can develop this content for you.

And you might be thinking, "Well, in the healthcare field, we need specialists." You'd be surprised what's out there. Servio has a crowd of nurses who by day work as a nurse still up to the registrations and everything, and then by night they'll develop blog posts, newsletters, articles. So it's a great way to get your product out there before it's ready to start selling.

There are several other common uses that I'll list here. Again, the takeaway is that crowdsourcing is a work process. It works across all industries and fields from translation to landing page optimization. It's just like freelancing, outsourcing or hiring an assistant.

So think about this: What part of your business do you wish you could outsource but are afraid that the quality would suffer? In that scenario, crowdsourcing could be a very good opportunity to explore. It's a better way to solve existing business problems. With this webinar, I want you to understand I may not hit a specific application you can use, but I want you to learn the concept of how crowds work for you, then you can start to apply it to your own business.

Just to give you a couple of metrics, I know you like numbers, eBay wanted to do a translation scenario. So they translated one million words where it's typically 23 cents a word to get translation. Because the crowd translated, it was only 2-1/2 cents a word, a savings of 90%. If you wanted to do video production, maybe you wanted to do a TV ad, a 250,000-dollar video production can be done for 60,000 with crowdsourcing.

Or even on the small end, if you wanted to do research, using Mechanical Turk, if you were to hire an employee at just minimum wage, 8 dollars an hour, you could go through a crowd called Mechanical Turk where it's on average 1.71 per hour or up to about 4 dollars an hour depending on what's being done. But that's anywhere from up to about a 79% savings.

Now this one, we're going to talk about crowd funding. I believe Alex is on the line. Alex, are you available?

Alex: Hi, this Alex Fair. Can you hear me okay?

David: Yeah, Alex, go ahead. I'm going to go ahead and run your slides for you, but the crowd is here and they want to hear about crowd funding and all the different aspects.

Alex: Okay, great. Hello, hello, everybody. My name's Alex Fair. I set up a website called MedStartr, but we're not here to just talk about MedStartr today, we're talking a little bit about how crowds can enable funding, awareness, adoption, and other great stuff for your company, your product, your idea.

And so I don't think I'm telling you anything really new here. Your traditional sources of funding for medical devices at home and many other things are drying up and they haven't gotten a return on investment. Institutional is doing a lot better, government sources are changing, so you really have a different sort of environment.

And the real problem we see is that as a VC range, well, it's hard to say what's going to work, what's going to be successful, what's going to get past regulatory approval. In the end, it just stifles innovation because you really have limitation in the capital that's available, not just from NIH or what have you but also from more traditional sources, angels and VCs and such, so making healthcare continue to suck, as we say.

So, we can go to the next slide. So we actually started MedStartr when we were inspired after seeing what could happen with a Kickstarter project. So Eric Migicovsky created a device that connected, and everybody knows this probably,

I'm sure, but this one set the record, so he created a device to talk to his iPhone that allowed him to check his email and do some Dick-Tracy-type stuff, and he raised 10 million dollars and got 68,000 customers, which is pretty amazing for a six-week campaign.

So I talked to Eric and did some preliminary research, and we actually launched MedStartr in a beta format on the 4th of July, and if you want to go to the next slide, we actually have had a whole bunch of projects with a lot of success. But what's really not obvious to most people is that even though you have some success online, you get about 40 times that level of success offline. So yes, you might raise 13,000 dollars online, but you actually, very oftentimes if you've gotten the right people engaged, raise millions offline or get acquired or what have you. So some companies became de facto standards, becoming the data set that every directory wanted to have and use.

We've helped start nonprofit foundations. We've helped create conferences. And while we're not the entire story, we're an amazing vehicle to actually get the story out. When I say we I don't mean just MedStartr. It could be Indiegogo. It could be Kickstarter. Well, Kickstarter's into healthcare projects, but it basically allows you to sort of transparently say, "Here's what we're doing. Here's why we're doing it. Here's how we can help you. Here's how you can get involved. If you really care about this solution," so let's say somebody has prostate cancer and you have a new device that helps freeze and take care of stage IV tumors or what have you, anybody who might be interested in that will get involved in it, even if it's just tweeting it out to a bunch of people who are involved in a prostate cancer community.

This happened to us with this braGGs project, which you can see in the bottom of the screen where these two ladies, both of whom had had double mastectomies and reconstruction, couldn't find a bra that fit. So they got out the sewing machine—and neither of these people were professional seamstresses, one was an economist, the other was a stay-at-home mom—and they created something and said, "Hey guys, what do you think? We think it works a lot better. Do you want to buy one of these bras?" when they only had a prototype. They didn't have a manufacturer then or everything worked out. So they raised 12,000 online, they raised another 25 offline, they got a deal with the US Army, they distributorships, they got into magazines, they got onto ABC News. And this is the kind of stuff that happens to pretty much every project, stuff like this...

Joe: This is Joe. I want to interject because having looked at the whole presentation in advance, this is the page that really made me stop. And would you share with the group, how did somebody make 12,000 online and so much more offline? Is it

that this serves as some kind of makeshift website/landing page so people can be directed somewhere online? Is that the essence of it?

Alex: That's exactly it, Joe, and that's a really great question, because it's so easy and you can actually go look at the real project here. If you click on it, you can see what it looks like. Thanks, this is great.

So right now there are four kinds of crowd funding that exist, and these really kind of mimic reality and they're not really that different from what we do in real life. There's donation-based, which is like charity. There's rewards-based. This is a rewards-based campaign. There's equity-based and there's credit-based.

And what you see here is that Kara and Kristin, the braGGs girls, are telling a story about their life and their mother's life and what's good about it and what's problematic, and they saw they had this problem with the bra that you can see here in the first picture, and how they solved the problem. And people got behind them, they got excited about the story, they had already been doing walkathons and things like that for Komen, and so they'd already started a community around them for this kind of thing.

And because equity-based crowd funding is not currently legal in the United States, all we really can do is get the donations going, right? So that's Kara. So if the equity was legal at this point, then we'd probably be able to put an "I want to invest in this project" button onto these pages. But it's not, so we're stuck with just equity- and rewards-based. But all that other stuff happens offline.

So when Kara presented at HHS on this concept, the head of the US Army's healthcare innovation area, whose wife happens to be the breast cancer facilitator for the Army, when they saw it they said, "This is great, we have a lot of women in the Armed Forces who are either wives or are themselves soldiers and have problems, and this is something that we want." Same thing happens with ABC News. I don't know how ABC News found out about the project but they called them. Same thing with the New York Times. Melinda Emerson, who writes a column for the New York Times, found out about this project and she called them. So we serve as a platform and they sent all of their energy and their time and their efforts to everybody saying, "Hey, go see our campaign," and a lot of people funded them, but just as important, a lot of people saw them, wrote about them in their trade journals and, of course, in the more mass media publications.

Joe: Alex, let me ask another question please. We have Yahnas, I hope I pronounced that properly, from Munich on the line. "So equity funding is not permissible in the US. Can you tell us, are you aware of how it's treated outside the US, and could a medical device company based out of anywhere let the US offer equity?"

Alex: Absolutely. There are rules that allow equity-based crowd funding in places other than the United States, and that is obviously an option available, but there is no really successful equity-based crowd funding site outside the US. We hope to be launching that kind of thing soon. Also, in the US, you can do accredited-investor-based equity crowd funding presently. It's sort of a gray area. We're kind of staying away from it until it's a little clearer, but that shouldn't be very long now. It should just be another couple of months before it becomes a viable option.

But for now it's working pretty well offline for clients. So we're very happy to facilitate that. We also are running challenges, which bring corporations into the picture. So here are a couple of just medical device projects. I don't consider the bra a medical device. And even these are sort of edgy. I mean, it's not like these are kidney-washing machines, although that is another project that's coming up.

So here you have a couple of fitness devices that have been successfully funded, allowing them to do their first production runs. And as you know, 5000 or 2000 isn't very much to do a production run, but it's enough in these cases for them to get their factories moving and get them in conversations with the sports authority in Dixon, wherever, that they've already been having those discussions, but it takes us to the next level.

So the Misfit Shine is a great example from another site. He raised over 800,000. We consulted with him and helped him get his project together, but then he went and put it on Indiegogo, which has a much larger audience than us, although not more per project. But if you get to the front page in Indiegogo, great things happen. And then, a Kickstarter campaign, Kickstarter doesn't generally do healthcare projects, but if it's very consumer-friendly, easy thing to do. This back posture sensor, they connect it to your iPhone app, and they raised over 200,000. But it's getting better all the time.

So the JOBS Act, which is what really sort of started a lot of this hubbub, was passed last April. And it was supposed to be defined in terms of equity by January. They're behind schedule. People are saying by the end of this year. I'm thinking probably by Q3 because it's already in review period. But now with the SEC head, Mary Jo White, she's pretty tough but she's going to probably hit the ground running, we hope, and hopefully get this passed and get it down to just a couple of months until it's clear, exactly what the rules are. But basically it allows accredited investors to invest a certain amount and everybody else to invest another amount for the things that they care about. So managing that relationship is an important thing.

So what else do we have here slidewise? So we think that where healthcare crowd funding fits in is really early on in your process. There's a slide that isn't here but one of the things we say, and it's very true, is that we don't just drive funding, we drive awareness, we drive adoption, we drive testers and beta testers. If you're doing a clinical trial, if you need a multicentered clinical trial and you need other people to actually get involved in your project and sign up patients, those are the kinds of things we can do. It's not just crowd funding, it's also crowdsourcing and crowd feedback, and getting a lot of interest and traction, and getting partners involved so your average project gets 2.3 partners and 1.4 stories written about them in addition to a little bit of funding online and sometimes a lot of funding offline. It fits in with a lot of your other activities...

David: Alex, let me interject really quick if you don't mind. One of the things I love about crowd funding is yeah, it's great to get the money, but I think it has an even better benefit of doing market testing.

Alex: Exactly.

David: It's one thing to go out and ask people, "Hey, do you think that this product is a good idea?" but we all know it's very common for somebody to tell you yes to your face although they aren't going to buy. So with crowd funding you're saying, "Hey, do you like it? Okay, give me the money..."

Alex: Yeah.

David: ...and the money really shows you how much people will pay and also if there's a demand for it.

Joe: Yeah, mm-hmm.

David: In fact, there's been venture capitalists that say every new business should crowd fund.

Alex: You're absolutely correct, and I may have a horrible story to tell you though, like this. I created this company called FairCare MD and I did exactly that, and I walked around to 2600 doctors, knocked on the doors and said, "Hey, do you want to do price negotiation online for your services?" And most of them told me to get the hell out of there, but 100 of them did say, "Yes, that is something we would do because we really don't like getting paid 30 bucks to save somebody's life." You know, that's the deal these days. It's not easy.

So I went ahead and built the site, got those 100 doctors set up. Thirty of them by that time had said, "No, I don't want to do it." Took me two years to sign up another 200, 300 doctors and never made any money on the site at all. And I

actually went and tried to crowd fund it and found not only did people not like the idea on that physician site, they didn't want to pay for it, but the patients didn't want to pay for it either. Now, I have already had half a million people come to the site and look for something.

Joe: Right.

Alex: But nobody wanted to pay for anything. So it failed as a crowd funding project in 45 days but it took me two, three years to figure that out in real life and a couple of hundred thousand dollars. So I guess my point is that yes, you're absolutely right. You get to test, you get to get feedback, you can list six different versions of your product and it costs nothing to, or at least to market something. So if you have the bra and you wanted to sell them in green and blue and black in this very simplistic example, but if you wanted to and you wanted to see which color to make first, you can very easily tell because two people buy green, 10 people buy black and one person buys pink.

David: Yeah.

Alex: So there's a sweet spot in your company's existence for crowd funding to make sense, and so obviously it's early on. But if you've already raised 12 million dollars and you just want to see what packaging people want or things like that, there are also other points in time where you can do some preselling. That example of the Misfit Shine Wearables device, they already got 12 million dollars. They already have John Sculley on their board. That's the guy from AgaMatrix, Sonny Visualize, who already is a winner in this category. He just wanted to get some presells and get some feedback from actual customers. Well, he got a couple of thousand sales and he's doing great.

So these are some of the partners that have come into the site and found partners and found products that they wanted to buy. Bauch & Lomb bought a company outright, so is Health In Reach, and MedLion adopted some products. AgaMatrix partnered for a clinical trial. HHS has a prototype that they're playing around with to see if they can find better ways for people to select innovations. And all sorts of other great stuff is going on, especially with GE. ... gets behind projects here where always wants to talk to anybody that we work with.

So there about 48 partnerships that have happened through the system, 24 just for one company called the DocGraph, which basically became the de facto standard for physician referral data pretty much in six weeks.

David: Excellent. Alex, I really appreciate. We're going to move on to Steve at the moment, but I'm sure there are going to be plenty of questions for you at the end.

Alex: Okay, I'm here. Thanks for having me.

David: So, thank you very much. Steve, this is Steve, Senior Marketing Director from Kimberly-Clark, is going to share some insights with his role at Huggies MomInspired.

Steve: Good afternoon everybody. I'm going to just pose a question here on the first slide, which is, from a corporate perspective, why would a company like Kimberly-Clark that does about 15 billion dollars worth of sales globally with likely quite substantial R&D budgets look to the crowd? And I hope that at the end of my few slides I've given you some perspective on how we've answered that question and how we're really benefitting from taking on that challenge of figuring out how to incorporate the crowd in our innovation process.

Next slide, David. So I want to spend just a couple of minutes on this slide and get you to think about how a big corporate entity like Kimberly-Clark typically innovates, and the way we've used the crowd to cocreate and innovate a different way, because I think the challenge for many of us, and I think it's exemplified throughout this talk, is we as innovators have to come up with great innovations but we also need to continually challenge the way we go about innovating.

So if you just spend a second for me under the column titled Customer Focused Innovation, this is the way a consumer goods company like Kimberly-Clark typically creates new stock. The central entity that's doing the innovating is Kimberly-Clark. It's the organization, right? And the degree of our customer or consumer involvement is we're working for them to bring innovation and we as the innovator are playing that role. That's what the organization is doing, it's innovating.

Now, it's really easy to control. I can create an innovation process on paper. I can have milestones. I can create budgets. I can predict timelines, and that's nice and that's comfortable. However, there's an issue with that approach, and we've found that issue is really scarcity of really great ideas, because we can only do as much innovation as our budgets and capabilities allow. We can only come up with as much great ideas as the people within our laboratories have.

We found that it was a good but not sufficient approach to deal with the challenges that we were facing in our business. So we said, "Hey, let's do an experiment all the way on the right-hand side around co-creation, and I'd like to do the comparison and contrast that reflects the benefits of a corporation like ours doing co-creation, it also represents the challenges." So you shift. Instead of the organization doing the innovation, we're really having our consumers in this case doing the innovation. And instead of doing innovation for consumers, it's

innovation by consumers with us enabling that innovation out there in the crowd to happen. And so instead of becoming the innovator, we're really forced to adopt a different role, which is that of the coordinator and in some cases investors in that innovation.

And you can imagine, for a company like Kimberly-Clark, there are some issues, and I think the biggest we've faced is it's almost impossible to control this. In fact, we can't think about managing this innovation process in the same way as others. And lack of control or a different level of control can be a big issue for corporations to deal with, but we deal with it because there's a huge benefit, and that benefit is captured there at the bottom right-hand corner, which is the needs and solutions are defined by the users. We get better solutions with a more clear understanding of the consumer need, and we get more of them than we could ever hope to produce in our laboratories.

The other big benefit is while we're great within our baby care business at designing diapers and wipes, we know nothing about some of the other innovations you'll see later in the presentation. So we get into completely new areas of business where we can take our brand and create further value for our shareholders that we never would have been able to even touch, think about over the cafeteria table without being linked into the crowd. Next slide, David, please.

So I have a question for all of you, and this is kind of what I've used in many forums including with the US Military as I've talked about this program in crowdsourcing to say, what's your reality around innovation? The question is, how good is your knowledge of your consumer, your customers? Do you have perfect knowledge? Well, if you've got that figured out, you know it very well, you might be able to do an internal innovation program and get to something of value.

That's not the situation in my world. Nope. I can see future of my markets without ambiguity or uncertainty? The answer there is no for me, and that makes using the crowd to create multiple bets and multiple scenarios so attractive. All the best ideas occur within the walls of my business? Certainly not true. Go to the crowd to get that idea richness that I lack resources. Going to the crowd is incredibly efficient in terms of the spend I get and the opportunities businesswise that it creates.

Perspective. One of our grant recipients gets 15,000 dollars in our first days of funding. For them it makes a world of difference that we offer great some perspective earlier in the talk, for us 15,000 dollars is the cost of a couple of consumer focus groups when we do market research. So for the cost of two focus

groups I get the chance to fund, get transactional learning and the opportunity to watch a business grow and potentially acquire it in an area I would have never been able to afford as a corporation. That's a huge return and very high leverage.

And then picking out the best innovation, I would say this. I think Alex mentioned this early on when he talked about funding as an early indicator, we have an even earlier indicator, which is when we have mom entrepreneurs apply for membership into our innovation community. Just the applications we gather, let alone the businesses we start to grant and journey with, just those applications teach us where the hotbeds of innovation in the marketplace are. It is a great market-sensing market research technique.

So if you're in a reality where you're talking to somebody that you believe has this perceived reality, I think these are all really great salient points around crowdsourcing. Next slide, David, please.

David: Stephen, before I do, I want to interject something. I hear a lot of people that say, "Well, yeah, that's great. That works for your community. That works for moms. But we deal with physicians. We can't do that." But one of the things I've found is that that's not necessarily...that that's not true. No matter who your crowd or your target market is, the more you get them and engage them, the more they can open up.

In fact, one story I heard, and I'm purely regurgitating what was told to me, it was from Lufthansa. I know we've got at least one German on the line here, so hopefully this isn't offensive. But this is what they told me.

They said, "We never wanted to crowdsource because we feel like we are Germans, we are proud, we are the smart engineers, and we should be able to develop this in our own company of Lufthansa." But there is one person in the company that wanted to do co-creation and he finally did the project, and they got so much good advice that his boss said, "Okay, you did it once. Now do it four times this year." So they've gone from the pride of, "Well, we should have the smartest talent in our company," to realizing that no matter how much talent you have, there's always some random diverse perspective outside.

Steve: And I think that's actually a great transition, David, to these next couple of charts, which is just some examples of other entities that have been able to co-create with the crowd. I mean, I put us up there, Huggies from an aspirational standpoint, but you've got businesses including Starbucks that creates with their user community, Lego Mindstorms and the Mindstorms kits that's now come out being a product of their community, and then even when you get to the penguin representing Linux and you think about that operating system all created out of the crowd and

now something that's the bedrock for many of the applications that run that we never see in the background of the business community. And I think that's some of the variety of where crowdsourcing has made a difference.

And I think you made a great comment early on, David. You said this is a process. I wouldn't say you should look at the Huggies example and say you do x, y and z and you get this result. I think it's a matter of looking how the principles are applied to your business situation to give you the benefits you desire.

David: Yeah.

Steve: So I think in terms of questions of principles, not in terms of specific examples. And if you go to the next chart, I like to use this one because, you know, if you were to ask me a place where crowdsourcing would never work, I would probably think about the things like US defense establishment and sourcing of tools for the war fighters, because I think about the Pentagon bureaucracy, I think about the entrenched advantages that companies like FMC and ... might have, and yet there are even some surprises there.

So I wanted to share this with all of you just to shake up your paradigm a little bit. In the photograph, what you see there is an experimental combat supply vehicle, completely crowdsourced, crowdsourced to an entity and wears the logo called Local Motors in Phoenix, Arizona. I believe they have somewhere between 50,000 and 100,000 members of their crowd who all deal with automotive design either in a kind of total standpoint or from a critical subcomponent standpoint like electrical expert, experts in emissions, experts in power train and things like that.

Darpa, the Defense Advanced Research Projects Agency, was looking for a different way to get to this prototype supply vehicle. Local Motors was able to... actually won the bid for the development of that, and they were able to actually get the design of the vehicle established and approved through DARPA in one month based upon going through and selecting the best of 126 general design approaches they got from their crowd, and then getting back to a prototype vehicle built in three months based upon leveraging the individual design and manufacturing capabilities of their crowd.

Quite an amazing accomplishment. You see General Motors **Jay Rogers(?)** there talking to somebody who was very interested in what was going on, President Obama, at a symposium on innovation at Carnegie Mellon University. So, again, these principles would work in different situations, and I think I'm offering you, here's how it works for moms on Huggies that are developing stuff, but the same principles and approaches can work in the context of the US defense

establishment, DARPA, and you have crowdsourcing making a huge difference there.

So if I can go to the next slide, David, and if you could pull up the first bullet point. So why does a company like Kimberly-Clark get invested in crowdsourcing? One is I think we're recognizing that as a corporate entity, our pace of innovation cannot keep up with the increase and demand of the marketplace, and as an innovator running an innovation organization, I'm just not getting any more money or more people to do so.

The best innovators as I've challenged this all before really are about thinking about not just delivering the business results but also innovating the way we innovate. The world's a really complex place, okay? And I think this notion that we can measure and predict with accuracy is foolish so as major companies we need to think about how to place a lot of small ... Crowdsourcing is huge in terms of the capability to do that.

And the last piece is, you know, it's the era of the democratization of innovation, innovations are no longer exclusive to large industry or government or academic research enterprises. They happen there and it's an absolutely valuable process, but I think you're foolish as a corporate entity if you're not exploring the innovations occurring outside of those walls.

If I can have the last chart, I just want to show some of you valuable innovations delivered by moms who are starting up businesses. Typically start-ups that are being starved by not getting capital to expand that we are serving through the MomInspired program. These are some of our grant recipients. Now, each of these women don't just get 15,000 dollars in funding. They get to join the community, interact with other innovators in the community, get some coaching and mentoring from experts at Kimberly-Clark in specific areas like design or technology, and they will also be eligible to get additional rounds of funding through Kimberly-Clark and our angel investor partners out there in the marketplace who are signing up for the program too. So we're bringing kind of this element of I call it semi-crowd funding into now an environment where we crowdsource innovation for our brand.

So what are some of those unanticipated innovations we found that as a diaper and wipe manufacturer really "Wow" us? There's a woman in San Diego, California, her name is Allison Phillips, she has just had her US patent brand on the Tilty Cup. If anybody has small children and they try to learn how to drink and they're breaking out of a sippy cup, they probably have seen them spill, and they spill because to get the liquid out of the cup, they need to turn the cup 180

degrees to the mouth and it inevitably fails in some way. Allison says, “I can fix that. Change the internal geometry of a cup, put a small piece of plastic there in the corner, and so just pouring out so the cup never gets vertical to get the liquid out.” As an innovator, I’m embarrassed that I didn’t think about it and we tie her based upon that idea. Allison has been able to get a patent on that design, set up a supply chain in the China to source that product, and we’re growing along with Allison in the development of her business.

Now, for those of you in the medical device community, I’ll offer one more example before I kind of stop talking and turn it back over to David. Amy Baxter is a pediatrician in Atlanta, Georgia, and Amy as a mother and as a pediatrician really appreciates the fact that shots hurt. Not only do they cause pain to the infant or the toddler, but it causes great discomfort and anxiety to the mother and even in many occasions the pediatrician administering the injection. But Amy’s come up with Buzzy. It’s a pain relief device that uses vibration and cold to, I’ll call it—this is my marketer’s understanding—distract the nerves from the injection site in that point of pain. Through our funding, Amy’s been able to develop a very robust set of clinical data that showed pain relief using this device and filling a need that as a brand we would have never first recognized, found a way to address, let alone develop something that worked on the clinical data behind it, and now we’re just really proud to be able to stand behind this device that Amy’s been able to develop and bring to the marketplace.

So I’ll stop right there and say, you know, we’re really happy with our crowdsourcing experience. It doesn’t replace what we’re doing as a corporate entity but it provides a major complement particularly around getting into new business ventures and being able to place multiple bets in the marketplace at relatively low cost in investment to us but at a huge return for the people that get involved with our crowd.

If you’re interested enough to learn some more, our website is www.huggiesmominspired.com. You can go take a look. And thanks for the opportunity to speak.

David: Thanks, Stephen. As you guys might start to see, crowdsourcing doesn’t necessarily replace anything. It really augments what you’re doing. It’s really there to help out. So I’ll quickly wrap up before we get into the Q&A and I give you guys a copy of our research.

There are some benefits to crowdsourcing, is you get diversity. It’s not about just getting a ton of people to do stuff for you. When you get a lot of people, there are

going to be some diverse perspectives in there and those are those golden nuggets you're looking for.

[00:50:02]

Also, as a direct result, you end up with better quality. Again, you're not looking for the masses but that one specialist in the masses. As it falls along the bell curve, you're going to get a lot of junk and a lot of good stuff, and you're just looking for that top x percent of good stuff, and crowdsourcing helps you sift through that.

Another really good thing, like Steve was saying, is that you're engaging your potential customers, not just engaging audiences but you're engaging the exact segment that you want to reach. So you're hearing from them during the process, and when it's time to sell you're already connected, you're literally turning around and saying, "Here's what you wanted. Here it is."

There are some problems. Crowdsourcing is not a miracle cure. So I'll list these off. But they're all manageable. By getting your community engaged, first, crowdsourcing can be difficult to manage. It's just like hiring a thousand employees. There's going to be some management to it.

Social backlash. If you exploit your crowd, they can get very vocal on social media, and the crowd can turn into an angry mob very quickly. As long as you're genuine, you can avoid that.

Cost creep. Just because you can save 90% doesn't mean that's total savings. You're going to have some management labor, some prizes if you're giving them out. In Kimberly-Clark's case, they're giving out 15,000-dollar grants. So just be mindful of the surroundings costs.

Inconsistent branding. Again, you're giving up control to the crowd, and they're going to give you a lot of good ideas and you can easily get swayed in, "Oh, that's a great idea," without realizing, does that fall in line with our mission and our branding? So just be mindful of that. Always consider, is this in line with our core branding?

Lower quality. Again, you're going to get low quality and good quality. You just need to make sure you're identifying what's the good and what's the bad. When Obama wanted to "crowdsource" campaign initiatives, the number one result or response was "legalize marijuana." So he just had to say, "Hey, great. Thanks. Let's just push that one aside and move on to the other ones."

And there is legal exposure, but it's just like having a freelancer. Much like a freelancer could copy something and pass it off, the crowd can do it. Luckily, a lot of technology in platforms include legal protection in terms of contracts. There's generally a lot of that in place.

Okay, as I wrap up, in summary, just a couple of takeaways. Crowdsourcing, again, is a work process. It's a way you can process work, it's not a standardized process, as Steve was saying, and it's just a new way to transact, process, get things done.

It works across all industries and fields, from medical device to moms' products to translation to advertising, just about anything. If you can hire someone to do it, you can probably crowdsource it. Again, it solves existing business problems—these are the benefits—improves quality, speed, engagement. You've got the crowd, it means you've got scalability. If you have a burst in demand, you can process it right away with your crowd, and in most instances it can lower your costs.

Joe: David, I have to interject here. I've been doing these webinars for a while. I have never seen 100% of the crowd stick around to the end. You guys did a great job. And I'll tell you, not only did I learn some things, but two slides ago or one slide ago you were talking about some of the things that can go badly, your last point, legal exposure and the like. I know you're going to talk to us about Crowdopolis, which I would totally go to if I could. Will these points be touched upon there? Because I think you guys kind of whet our appetite and now I have even more questions about it.

David: Absolutely, and thanks for the compliments. This is a very, very important topic, so I can't take full compliments of, you know, hey, this is on me. It's really the topic. Crowdsourcing is being used by a lot of people. It's actually gone and reversed the adoption lifecycle. The federal government is one of the first users of crowdsourcing as you saw with that DARPA. There's actually a website called challenge.gov where it's a platform for every federal government to post a challenge. NASA's on there. They've given out 34 million already in challenges. Actually, the lady who runs that website will be speaking at Crowdopolis, so we're going to learn some great stuff.

All of these topics here, everything we've talked about is going to in-depth at Crowdopolis. I actually spent a lot of time, I handpicked all the speakers because it's going to cover all these different aspects of legal exposure. Steve's going to talk about how to commercialize your open innovation projects, I believe. Steve

was at LA and we wanted him back. He's actually a really good thought leader in this field.

So yeah, to answer your question, we are going to cover all those. And as I wrap up again, it can go bad, so just keep in mind it's not a miracle cure. There are people going around saying, "Hey, crowdsourcing is awesome. It's just going to do everything," which it will, but you have to be mindful. Everything has some drawbacks.

Okay, so just a couple more slides. Here's the research and I'm sure this will come out in a followup email, but write these links down. I don't think you can click on your screen, obviously. But these are a couple of research reports I did in 2012 really to get to the heart of the numbers. Just to show you, it's very new, but the companies that are adopting crowdsourcing are doing it in a big way...

Joe: David, I came off mute for a moment. I'm sending a link to the crowd in the chat box now, so you can click on them there. Thanks.

David: Oh, perfect. [Laughs] I would have thought about it if I can multitask, but yeah, Microsoft is building a system to...they translated Microsoft Windows 8 I think in 130 different languages through crowdsourcing. Wal-Mart has all of their online product pages cleansed and optimized by crowds. So it's crazy to see these big companies, even small ones like nonprofits or government agencies, startups, just about anybody is relinquishing control to crowds, taking advantage of the scalability, all the cost benefits, and all the quality controls that go along with it.

And so that does lead me to my last point, is we are doing an event called Crowdopolis. I am hoping these 60 minutes we've really helped you understand what crowdsourcing is, how it's being used, how powerful it can be. February 27th and 28th at the end of this month I am doing an event in New York, would love to have you guys come. I know Stephen's going to be presenting. As you can see here, Microsoft, Wal-Mart, GE, these people are going to be talking about how they're using crowdsourcing for various different reasons, and we'd love to have you there.

I'd love to give you guys...I know Joe wanted me to give you guys a discount. If you register, I think it's in the next 48 hours, and you put in promo code MDG13, we'll give you a 20% off registration. We'd love to have you guys there. And the first three to register without promo code I will personally invite to our invitation-only VIP pre-party. It's going to take place the night before on the 26th. If you want to look at more of the...

Joe: Thank you, David. Is it MDG-13 or just MDG13?

David: Just MDG13. I can type it here under the chat box.

Joe: Okay.

David: [Laughs] If you visit crowdopolis.net, that will also get you to this section of our website where you can see, this is Karen. She's the one who runs crowd funding for the entire federal government, all of the branches. Anyone can post a project. And I believe DARPA is actually doing another car on this website. I feel like I saw something. NASA's doing some crowdsourcing. They do quite a bit from video to right now they are trying to optimize the international space station. They're going to talk about that as well.

I really want to emphasize the value of this event. If you guys can come, we'd love to have you. If there's anything keeping you from attending, please send me an email, david@dailycrowdsource.com. My mission is I love to help people. Daily Crowdsourc's mission is to help people understand what crowdsourcing is and how it can be used. So please, reach out to me.

At this point, we're going to turn it over to questions. If you have any questions, let's go ahead and answer them.

Joe: Yeah, we have some on the queue, and I'll open the mics for you Steve and Alex. And the number one question, it's coming three times from three different people, it's around IP. What about my idea? Who's going to steal it? What if Medtronic tries to patent it? What's going to happen to my idea?

David: Alex, you want to field that one?

Alex: Alright, yeah, I can field that one. So we have massively exposed projects and we strongly encourage everyone to protect their IP, not to put any trade secrets out there. Essentially, you're appealing to audiences of patients or providers, partners. You don't have to show your technical diagrams. You don't have to give away your secret sauce, and we strongly encourage all of our clients to protect, even if it's just a provisional patent. I mean, we all know that they're not very strong. But you have to be sensible about these things, and we don't encourage people to really sort of give away their secrets.

And nobody needs to know that anyway. So that's pretty much our approach, but of course we can't really take any responsibility for what happens because everybody comes in. If you get 17,000 people looking at your video, somebody might be inspired to do a derivative product, and that's the risk you take.

Joe: Steve, Kimberly-Clark, multibillion-dollar company, is doing it. What do you have to say about this? What about my IP?

Steve: Well, I think there are actually a couple of principles we follow that frame our approach. The first is, and I would have never thought this was going to work, before even applying for a grant, we actually have the applicant read and digitally sign a framework agreement that goes a pretty far way in protecting everybody's interests here because we've got the applicant's interest, we've got Kimberly-Clark's interest. Is there any research going on at Kimberly-Clark that might be similar? You can imagine just some of those issues.

And so what we've been able to do working with our legal team is actually start by having a basic collaboration agreement, I'll call it that. That is the front end of our application process, and we've been able to write it and execute it in such a way that our mom entrepreneurs actually see that as a positive and not as an encumbrance, and I think it's actually enabled the number of applications we've got. And so I'd say the front end of the process has some legal protections built into it.

The second piece is as we review applications, it's really important to us to be able to have the reviewer as being firewalled from the rest of the innovation that's going on inside the organization. So we don't judge the quality of a grant application based upon a popularity vote with all of the other stuff that's going on inside of Kimberly-Clark. We have a very strong set of operating principles inside the company.

The last piece around IP is this though, which kind of frames our commercial approach, which is we do not seek to really understand or get into or acquire the IP at the beginning of our relationship with these companies. We actually prefer for them to really run their business including the intellectual property aspects of it according to their plan and according to their script, because frankly, one of the things we found is a big company like ours getting involved too soon just screws things up. We don't have the entrepreneurial skill sets that these companies do.

And so the intellectual property from acquiring it, inspecting it, comes later in the process versus at the front end for us, because we're intentionally taking a more hands-off approach with our crowd in just providing some guard rails around how you use our brand and things like that that kind of channel people without being overly directive and prescriptive of what they're doing.

David: And Steve, who owns the IP? Does Kimberly-Clark own it or do the moms own it?

Steve: The moms own it. We want them to keep it while the business is growing, and if at some point we decide we want to participate in a commercial model which mandates we have the intellectual property, like we want a license in their

innovation, brand it ourselves, make it ourselves, then we'll go and we'll do that negotiation. But we're open to many commercial models in some where we would never acquire the intellectual property.

David: And that's why I brought that up because Kimberly-Clark does it in a way that's fascinating to me. Most other people want to hold on to the IP, but you guys let the moms hold on to it and you just partner with them. So for people that are listening, there are other ways where you can retain the IP.

And then to move along, I know Jack was asking a question, what tools are in place? I'm not sure if you just answered that, but in what regard, tools for what specific niche, Jack?

Joe: Legal protection, he was asking.

David: Okay. Who checks for copycat designs? Oddly enough, the crowd can do that. The crowd does it and the crowd can be essentially hired to do that. One of the great things about the crowd is that there's a lot of them, and so they can go out and they can do a lot more checks. In fact, one of the people, I was talking to Jojo Roy, he worked at a 300-million-dollar company and they crowdsourced the name of a new company or a new division. And so they had a bunch of people suggesting names, which is a lot...it's really similar to suggesting designs, but they suggested names for the 300-million-dollar company, you're thinking, "Man, all of the legal risks." But the crowd had to self-validate to make sure the name was available, make sure that name didn't mean something in another language like the Chevy Nova, which means "no go." So because of the crowd, you can get a lot more stuff done. There are a lot more eyes to look for copycats.

Joe: I want to respect everyone's time. It is the top of the hour, so if you need to jump off, and that includes our panelists, please do. But there is a question here from Atlanta, Georgia, and the question is, "How does co-creation work with medical devices that are regulated by FDA or other bodies?"

David: I can speak to how co-creation works, how it results, FDA, that would take a medically-trained person like maybe yourself Joe or Alex. Of course, co-creation would work the same way. You would just have to respect the FDA's requirements. I know that's probably not a very good answer. Is there someone who can touch on the FDA requirements?

Alex: I can speak to it briefly. I mean, we've had a couple of situations where we needed to get the FDA involved already, and essentially, obviously there are regulations requirements, but the benefit of just a simple conversation, when you have an open line, when you can say, "Hey, is this going to work?" has been

really beneficial for our relatively nonprofessional developers of FDA-approved devices.

So we had the EndoGoddess app made by a clinical endocrinologist. She wanted to get through the FDA, wanted it to be a sidecar app on the AgaMatrix meter, and they said—now, so I went through my channels that I know over there and we got a letter saying, “Hey, it’s okay, you can be a sidecar app, just make sure you don’t hit these care recommendation guidelines and that you’re only having a positive effect, no other effect, on clinical care, and you don’t have an issue.

So that helped them forge their partnership with AgaMatrix and it made it happen. Now, in more complicated situations where you’re in a stage one, stage two clinical trial, what have you, I don’t know what’s going to happen there but the feedback that we’ve gotten so far is that if you have a crowd of people saying, “This needs to exist, we support this thing, this device being created,” and you have their ear a lot more than just a regular individual researcher, clinician or inventor in a different way—because remember, these guys are all appointed by politicians and they listen to the people, that's their job. So when the crowd cares, I think FDA is going to pay a lot more attention for a particular device.

David: Joe, I want to be respectful of everyone’s time, so I think we should end now. But I want to say that I really enjoyed our time and I want to be a resource to anybody, so if you guys have any follow-up questions, please reach out to me, david@dailycrowdsource.com.

Joe: David, Steve, Alex, and everyone who joined us today, I also got a great deal out of this hour, and thank you for extending a discount to our members. So that's MDG13, gives 25% off Crowdopolis registration. And once more, to reiterate, I will have a replay of this presentation as well as the slides and the transcript, and I will email a link to all of you as soon as it is ready. Thank you very, very much for joining us today, staying online. Bye now.

Alex: Thanks for having us.