Crowdsourcing as a Business Model

Idea In Short

Crowdsourcing turns ordinary users into unpaid contributors of data, content or effort, and a handful of companies have built entire businesses on that exchange. Waze is the clearest case: its navigation app is only as useful as the traffic reports, road hazards and police sightings that millions of drivers type in while they drive. Google recognized the value of that behavior in 2013, when it paid roughly 1.1 billion dollars for the Israeli startup. This piece explains what crowdsourcing means as a business model, why people contribute data for free, and how Waze converted community input into a company worth acquiring. It closes by mapping Waze's actual business onto the nine blocks of the business model canvas, showing how a crowdsourced product still needs conventional partners, costs and revenue.

What Crowdsourcing Means as a Business Model

Crowdsourcing describes a business structure in which a company depends on a distributed group of outside contributors, rather than employees, to generate the information, content or effort that makes its product work. The contributors might be customers, hobbyists, freelancers or specialists, and the company's job is to build a platform attractive enough that people choose to participate. Writer Jeff Howe named the practice in a 2006 magazine article, though the underlying idea of pooling public input predates the internet by a long stretch.1 What changed with smartphones and social platforms was the speed and scale at which a company could collect and redistribute that input in real time.

A crowdsourcing business only works if both sides get something out of the exchange. The company needs a steady stream of usable contributions, and contributors need a reason to keep showing up that has nothing to do with a paycheck. Waze solved this by making the app more useful to each driver in direct proportion to how many other drivers were reporting nearby. A single report of a stalled car or a speed trap has almost no value on its own, but thousands of reports arriving continuously turn into a live picture of road conditions that no

single company could otherwise produce.

Why Companies Turn to the Crowd

Businesses adopt crowdsourcing because it solves problems that traditional staffing cannot solve efficiently. Hiring enough employees to physically monitor every road in a country for traffic incidents would be impractical and expensive, while a smartphone app can collect the same information from people who are already driving those roads anyway. Crowdsourcing also lets a company access specialized local knowledge, such as which side street floods after rain or where a speed camera has moved, that would be difficult to compile through any centralized survey.

> The crowd does not need to be paid to be valuable. It needs a reason to participate.

Cost is a genuine factor, since a platform built on user contributions avoids the salaries, training and office overhead that a comparable in-house data-collection team would require. But cost reduction alone rarely explains why crowdsourcing platforms succeed. Waze grew because drivers found the traffic alerts, rerouting and community reports genuinely useful in the moment, not because Waze marketed itself as a cheaper alternative to a traffic-monitoring service.

Waze and the Power of Driver-Generated Data

Waze launched in Israel in 2008, built by Ehud Shabtai, Amir Shinar and Uri Levine around a simple premise: drivers already know more about current road conditions than any static map ever could.2 The app asked users to report accidents, hazards, police activity and traffic jams as they encountered them, then displayed those reports to every other driver nearby in near real time. Unlike a traditional map, which shows fixed roads and static speed limits, Waze's map changed shape constantly based on what its own users told it.

That structure created a feedback loop that reinforced itself. More drivers meant more reports, more reports meant more accurate routing, and more accurate routing attracted more drivers. Waze also recruited volunteer local map editors who corrected errors and

added new roads, extending crowdsourcing beyond real-time alerts into the underlying map data itself. By the time Google came calling, Waze had built a user base spanning dozens of countries, almost entirely without paying anyone for the data that made the service work.

Google's Acquisition of Waze

Google acquired Waze in June 2013 for a price reported at approximately 1.1 billion dollars, in a deal that stood out at the time as one of the largest acquisitions of a consumer mobile app.3 The purchase followed reported interest from both Facebook and Apple, underscoring how valuable Waze's crowdsourced traffic data had become to companies racing to improve their own mapping products. Google kept Waze running as an independent app and brand for years, only beginning a deeper integration of its teams and mapping data with Google Maps around 2022 and 2023.4

What Google bought was not primarily software, since it already had strong mapping engineers and infrastructure of its own. It bought an active, self-sustaining community of contributing drivers and the incentive design that kept them reporting. That distinction matters for understanding crowdsourcing as a business model: the defensible asset is rarely the platform's code, since code can be rebuilt. The defensible asset is the habit of contribution a company has managed to establish among its users.

The Economics of Getting Something for [Almost] Nothing

Crowdsourcing lowers a company's direct labor costs, but it is not free in any meaningful sense. Waze had to build and maintain the technical infrastructure to collect, verify and distribute millions of reports per day, and it had to design the app so contributing felt rewarding rather than like unpaid work. Gamification elements, such as points, ranks and badges for active reporters, gave some users a reason to contribute beyond the direct traffic benefit.

The company also carries a quality-control burden that traditional data vendors do not face in the same way. False reports, outdated hazard markers and occasional bad-faith submissions all have to be filtered or aged out automatically, since no human team could review millions of daily reports individually. Waze addressed this partly through its own algorithms and partly through its volunteer editor community, who could flag and correct persistent problems in specific areas.

Crowdsourcing Beyond Traffic Data

Traffic reporting is only one branch of crowdsourcing as a business model. Open-source software projects such as Linux and the Firefox browser rely on volunteer developers contributing code, documentation and bug fixes, with the resulting software distributed freely rather than sold directly to the people who built it. Crowdfunding platforms take a different approach, asking a crowd for money rather than information, though the underlying mechanic of aggregating small individual contributions into something larger is similar. The Oculus virtual reality headset, later acquired by Facebook, first raised development funding through a Kickstarter campaign before it became a product a large company wanted to own.5

Each variant of crowdsourcing asks something different of its contributors and offers a different kind of return. Data crowdsourcing, like Waze's, rewards contributors with immediate personal utility. Open-source crowdsourcing rewards contributors with reputation, skill development or ideological satisfaction in supporting free software. Crowdfunding rewards contributors with early access to a product, equity in some models, or simply the feeling of having backed something they believed in.

Key Partners

Waze's key partners include Google, which now owns and integrates Waze's data and engineering resources into its broader Maps and advertising infrastructure. Local governments and transportation authorities also act as partners in several markets, sharing official road-closure and construction data that supplements what drivers report themselves. Waze has additionally worked with radio stations, navigation-adjacent apps and advertisers that pay to appear as sponsored pins or promoted locations along a driver's route. Telecommunications carriers and device makers play a supporting role by ensuring the app runs reliably across a wide range of phones and network conditions.

Key Activities

Waze's key activities center on operating and continuously improving the app that collects, verifies and displays driver-submitted reports in real time. The company maintains algorithms that weigh, age and cross-check incoming reports to keep the map accurate as conditions change minute to minute. It also manages a global network of volunteer map

editors, supporting their work with tools and moderation guidelines. Marketing to expand the driver base is a constant activity, since new markets and new users are what keep the underlying data current and useful.

Key Resources

The most important resource in Waze's business is the live stream of data its drivers generate, since the app has little independent value without it. The mobile platform and back-end infrastructure that collect, process and distribute that data in real time form the second core resource. Waze's brand recognition among drivers, built over more than a decade, helps it keep attracting new contributors without having to explain the value proposition from scratch. Its community of volunteer editors and active local groups also functions as a resource that would be difficult for a new competitor to replicate quickly.

Value Propositions

For drivers, Waze offers faster, more accurate routes than a static map can provide, along with real-time warnings about hazards, police presence and traffic that could otherwise cost time or cause an accident. It gives users a sense of participating in a community that looks out for fellow drivers, which keeps many contributors engaged beyond pure self-interest. For Google, Waze provides granular, real-time location and traffic data that strengthens Google Maps and related location-based advertising products. For advertisers, Waze offers access to a large, geographically precise audience of people actively driving toward specific destinations.

Customer Relationships

Waze's relationship with drivers is largely self-service, since the app is designed to be used without any direct interaction with company staff. A strong community layer supplements that self-service model, with local editor groups, forums and social recognition for active contributors building a sense of shared ownership over the map. Advertisers and business partners receive more direct account management, since sponsored placements and promotional partnerships require negotiation and ongoing coordination. Google's acquisition also introduced a corporate relationship layer, aligning Waze's product decisions with Google's broader mapping and advertising strategy.

Channels

Waze reaches users primarily through its mobile app, available on iOS and Android app stores, which remains the core channel through which nearly all driver interaction happens. Word of mouth and driver recommendations have historically been a significant channel for growth, since the app's value becomes obvious to new users almost immediately after they start using it. Integration with Google Maps and other Google products now serves as an additional channel, exposing Waze's underlying data to a much larger audience than the standalone app alone would reach. Partnerships with car manufacturers and in-dash infotainment systems extend the app's reach into vehicles directly.

Customer Segments

Waze's core customer segment is everyday drivers looking for faster routes and real-time hazard information during daily commutes and longer trips. A smaller but highly engaged segment is the volunteer map editors and "Wazers," who invest significant time correcting map data and moderating local reports beyond casual use. Advertisers and local businesses form a commercial segment, paying to reach drivers passing near their locations. Google itself functions as an internal customer segment of sorts, drawing on Waze's data and engineering talent to strengthen its own mapping products.

Cost Structure

Waze's costs include the technical infrastructure needed to process massive volumes of real-time location data across global markets, along with ongoing app development and maintenance. Personnel costs cover engineering, data science and community management teams responsible for keeping the reporting system accurate and the volunteer editor network functioning. Marketing costs support continued growth of the driver base in markets where usage is still building critical mass. As part of Google, some infrastructure and overhead costs are now shared across Google's broader technical organization rather than borne independently.

Revenue Streams

Waze generates revenue primarily through advertising, including sponsored pins that mark business locations along a driver's route and promotional placements that appear during

navigation. Local businesses pay for visibility to drivers passing nearby, a model suited to Waze's precise, location-aware user base. Since becoming part of Google, Waze's data and advertising inventory also feed into Google's broader advertising ecosystem, creating additional indirect revenue that is not always broken out separately in Google's public financial disclosures. Waze has generally avoided charging drivers directly for the core navigation app, keeping the barrier to contributing and using the service as low as possible.

- 1Jeff Howe's Original Crowdsourcing Article
- 2Background On Waze's Founding And Growth
- 3Reporting On Google's Waze Acquisition Price And Terms
- 4Coverage Of Google Folding Waze's Teams Into Maps
- 5Background On Oculus's Crowdfunded Origins

Summary

Crowdsourcing works as a business model when the value users get from participating exceeds the effort of contributing, and Waze built its entire product around that exchange. Drivers report hazards because the app immediately rewards them with faster routes and warnings from other drivers doing the same. Google's acquisition confirmed that real-time, community-generated location data was worth more than most software assets Google could have built internally. The same logic now shows up in open-source software, crowdfunding platforms and citizen-science projects, though each channels the crowd's contribution toward a different kind of value. What separates a durable crowdsourcing business from a novelty is whether the platform keeps giving contributors a reason to return after the initial curiosity fades. Waze has kept that loop running for more than a decade, folding its data into Google Maps while still operating its own community of local editors and reporters worldwide.