

The Long Tail: Why the Future of Business Is Selling Less of More

Chris Anderson. New York: Hyperion, 2006. 230 + xii pages. US\$24.95

The Long Tail is an extension of an influential article published in *Wired Magazine* (Anderson, 2004). As a business concept, the long tail phenomenon is attractive because “products that are in low demand or have low sales volume can collectively make up a market share that rivals or exceeds the relatively few current bestsellers and blockbusters, if the store or distribution channel is large enough” (Wikipedia, 2006). The phrase “long tail” is from the name of the low-frequency portion of a statistical distribution.

Although the typical audience for this book may be business leaders, *Journal of Product Innovation Management* readers can refine their product development perspectives on popular topics such as globalization, disruptive products, and the voice of the customer.

Chapter 3 reviews pre-Internet examples of the long tail phenomenon. Catalogs such as the *1897 Wish Book* from Sears, Roebuck and Co. had 200,000 items and variations. This provided rural consumers a massive selection of quality merchandise at favorable prices and availability. As global Internet usage

increases, the impact of the long tail phenomenon increases.

Chris Anderson states “Many of our assumptions about popular taste are actually artifacts of poor supply-and-demand matching – a market response to inefficient distribution” (p. 16). For example, fifty years ago a few television network executives controlled the few programs available for viewing on a given evening. Decades ago, viewers were more likely to accept whatever the networks offered. Today, viewing behavior is more diverse and there is more efficient distribution. There are more many more television networks (for example, a science fiction network), more televisions per capita, and compelling alternatives, so it is unlikely that a given network program will be seen by more than 30 percent of potential viewers. Now, it is more likely that consumers will find and view their personal favorites from a choice of hundreds of channels and then interact with an online community that shares similar preferences.

Chapter 4 explores specific supply and demand conditions necessary for narrowly targeted goods and services to be economically attractive. To sustain the long tail, demand must follow supply. Chapter 5 examines the impact of increasing the number of producers of products and services because of the global democratization of tools and information. Besides advertising, how do consumers find the products they need? “Netflix and Google tap consumer wisdom collectively by watching what millions of them do and translating that into relevant search results or recommendations” (p. 56). This environment supports a marketplace where both hits and niches can prosper. Anderson refers to the connection between supply and demand as filters. Anderson states, “A Long Tail is just a culture unfiltered by economic scarcity” (p. 53).

A long tail aggregator is “a company or service that collects a huge variety of goods and makes them

available and easy to find, typically in a single place” (p. 88). Common examples include web sites such as Amazon and eBay for physical goods, iTunes for digital goods, Craigslist for services, Wikipedia for information, and MySpace for user created content. These aggregators became innovators because they matched market insights with an integrated technology solution to delight customers.

Chapter 7 begins by declaring “Top-down messaging is losing traction, while bottom-up buzz is gaining power.” (p. 98) “For the first time in history, we’re able to measure the consumption patterns, inclinations, and tastes of an entire market of consumers in real time, and just as quickly adjust the market to reflect them” (pp. 106-107).

Recommendations, from people whose opinions are respected, serve as shortcuts through large amounts of information. The superset of filters includes recommendations and other tools that help you find quality in the long tail. The “main effect of filters is to help people move from the world they know (“hits”) to the world they don’t (“niches”) via a route that is both comfortable and tailored to their tastes” (p. 109).

“One of the most frequent mistakes people make about the long tail is to assume that things that don’t sell well are ‘not as good’ as thing that do sell well” (p. 116). A given niche has both quality products and a lot of crud. Sturgeon’s Law states that the percentage of crud is in the range of 90 percent. “On a store shelf or in any other limited means of distribution, the ratio of good to bad matters because it’s a *zero sum game*: Space for one eliminates space for the other. Prominence for one obscures the other” (p. 116). Long tails are not pre-filtered by the requirement of factors such as shelf space, bandwidth, or the biases of purchasing managers.

Anderson defines a pre-filter as one that is applied before a product gets to the market. Groups that may include editors, executives, buyers, marketers, or advertisers predict what will be desirable for a given market. In contrast, post-filters are the voice of the marketplace. Post-filters find the best of what is available in a particular area. They measure and amplify consumer behavior. Post-filters impact a company’s brand and products. “A company’s brand is not what the company says it is, but what Google says it is” (p. 99).

Chapter 8 examines Pareto/Zipf distributions and contrasts scarcity-centric and abundance-centric views of economics. Although a traditional retailer may derive 80 percent of its sales from 20 percent of the products it offers, what are the impacts of abundant shelf space, abundant distribution, and abundant choice? Anderson concludes “In Long Tail markets: (1) You can offer *many* more products. (2) Because it is so much easier to find these products (thanks to recommendations and other filters), sales are spread more evenly between hits and niches. (3) Because the economics of niches is roughly the same as hits, there are profits to be found at *all* levels of popularity” (pp. 134-135, emphasis in original).

Anderson states that “the hit-driven media and entertainment culture that has come to define the second half of the twentieth century is defined by:

- “A desperate search for one-size-fits-all products
- Trying to predict demand
- Pulling ‘misses’ off the market
- Limited choice” (p. 165)

“Successful Long Tail aggregators need to have both *hits* and niches” (p. 148). This explanation is used to compare the success of Apple’s iTunes over MP3.com.

Chapter 10 addresses choice. Are more choices better? More choices are better when customers have a good process for making choices rather than being overloaded with options. Dynamic methods, which are defined as whatever makes sense at the time, of finding products, such as a keyword search, support long tail aggregators better than predefined taxonomies, such as genre or the Dewey Decimal System.

Chapter 13 provides examples of the long tail at work in manufacturing and service businesses.

Chapter 14 states “The secret to creating a thriving long tail business can be summarized in two imperatives:

1. Make everything available.
2. Help me find it” (p. 217).

Next, the nine rules of successful long tail aggregators are presented. These are:

1. Lower inventory costs by using your warehouses and digital production methods as

well as virtual inventory methods, such as your partner's warehouses.

2. Let customers do some of the work through peer production methods such as reviews and crowdsourcing – using the highly efficient measures of the wisdom of crowds.
3. Use multiple distribution methods. For example, allow customers to browse or do research or purchase either in stores or online.
4. Allow customers to purchase the components or packages that they desire.
5. Use elastic pricing.
6. Share information with customers and partners.
7. Whenever possible think “and” not “or.”
8. In scarce markets, you have to predict what will sell. In abundant markets, offer more choices and let the market sort it out.
9. Allow customers to sample your products (pp. 218-224).

The long tail phenomenon alerts innovators – those who must match businesses and market needs with available technology – that a paradigm shift is underway. The way that product concepts are selected, developed, and commercialized is evolving.

References

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Mark A. Hart, NPDP
OpLaunch