

Book Review

It's a Niche World After All

By Laraine Spector

The Long Tail

Why the Future of Business

Is Selling Less of More

By Chris Anderson

238 pages Hyperion (2006)



Hits, those block-buster best sellers, don't seem as significant to Americans as they once did. Equally important, the mainstream media is increasingly losing its loyal audience to niche publications, cable channels, downloads from iTunes, and a host of other places too numerous to list. In fact, our hit-obsessed, mass--market culture is in transition, being transformed by the Internet and the seemingly unlimited cultural and content choices it has bestowed on consumers. Or so argues Chris Anderson, editor in chief of *Wired* magazine, in "The Long Tail: Why the Future of Business is Selling Less of More." In it, Anderson offers a carefully-researched and well-documented analysis of what he describes as the new economic and cultural landscape: a landscape distinguished by the shattering of the mainstream into an infinite number of niche markets, mini-markets, and micro-stars. His focus is on the impact and implications of the waning of hit-driven economics and the rise of a new era dominated by a multitude of niches.

It's not that the existence of niches is anything new. Indeed, Anderson admits, they have always existed. However, they were not always visible or easily found. What's new, he asserts, is the cost of reaching these niches today: as that cost falls "consumers finding niche products, and niche products finding consumers—it's suddenly becoming a cultural and economic force to be reckoned with."

Originally, Anderson explored this topic in an article that appeared in *Wired*. For the book, he expanded his purview and drew upon the contributions of academics from MIT's Sloan School of Management, the Stanford and Harvard Business schools, among others. They provided him with ways to quantify—using data from specific companies-- and frame his

thesis regarding the Long Tail. Moreover, Anderson is an economist, so be prepared to wade through an ample supply of charts and graphs.

Using examples drawn from the world of mass media and the entertainment industry, Anderson contends—he doesn't so much develop an argument but, rather, states his point of view--that physical resource constraints, inefficient distribution, and inappropriate supply-and-demand matching not only forced us to submit to the "tyranny of the lowest-common denominator" but, for efficiency's sake, resulted in markets dominated by, and fixated on, hits and blockbusters. What we believed reflected popular taste, Anderson tells us, actually was a logical response to the constraints of the physical world, in particular, the costs and limitations of broadcast distribution. Hmm.... But all that is changing—quickly. Why? The Internet, of course.

Anderson is hardly unique in his expression of awe for what he describes as the enormous power of the Internet. For him, its influence is obvious: "It absorbs each industry it touches, becoming store, theatre, and broadcaster at a fraction of the traditional cost." Carefully building on the experiences, and, frequently, data and/or research produced by such companies as Amazon, Netflix, iTunes, Ebay, Rhapsody, among others, he delights in illustrating-- repeatedly and with great gusto--the Internet's role in enabling companies to overcome the "curse" of retail, i.e., the traditional limitations of geography and scale (i.e., shelf-space limitations); and hails the creation of a totally new economic model.

To prove his point, he cites Amazon and the online book-selling phenomenon—something he returns to often. Noting that when Jon Krakauer's *Into Thin Air* was published in 1998, he reveals that an earlier book on a similar subject (Joe Simpson's *Touching the Void*) also, unexpectedly, started to sell again. Why? "Online word of mouth," writes Anderson, hailing the debut of a significant trend. When reviews on Amazon.com praising the earlier book appeared together with reviews of the later Krakauer book, additional shoppers read those reviews and began adding the older book to their shopping lists. With online booksellers soon developing software that traced buying behavior, it didn't take much time for them to begin recommending the two books in tandem. People accepted the suggestion, agreed wholeheartedly, wrote more rhapsodic reviews. This cycle brought "more sales, more algorithm-fueled recommendations, and a positive feedback loop kicked in."

Like a number of other recent books—Gladwell's *The Tipping Point* and Levitt and Dubner's "Freakonomics" come to mind-- Anderson is first-rate at recognizing key consumer trends and assembling them into a broader economic and cultural framework. Though at times he overextends his

generalizations, on the whole, his vision is incisive. Lamenting what he calls “hit-driven economics,” which he argues epitomized the 20th century, he praises the promise of the emergent “economics of abundance,” the world, he asserts, of the 21st century. “Hit-driven economics is a creation of an age in which there just wasn’t enough room to carry everything for everybody: not enough shelf space for all the CDs, DVDs, and video games produced; not enough screens to show all the available movies; not enough channels to broadcast all the TV programs....” But the world of scarcity is waning while the world of abundance is rising. And that’s where the Long Tail fits in.

Because there is so much detail and so many concepts presented in the Long Tail’s 13 chapters, it is hard to do justice to all of them. However, we cannot ignore Anderson’s discussion of the Long Tail, because it provides the theoretical framework upon which the book is built and explains the role of Anderson’s key constructs: niches, hits, non-hits and what he calls the economics of abundance.

So, what is the long tail? In statistics, long-tailed distributions are those in which the tail of the demand curve is very long compared to the head. While most statistical discussions focus on the head—in Anderson’s terminology, they represent the locus of the “hits”—Anderson turns his focus to the tail. At first glance, of course, the tail seems flat—as if there’s nothing there or no demand. But, when examined more closely—and adjusted for scale—the situation changes, i.e., there is demand on the right side of the curve. Reviewing sales of online music retailer Rhapsody, Anderson finds there is significant demand beyond that of the top-selling tracks. “Down here in the weeds, where we’d always assumed there was essentially no meaningful demand, the songs are still being downloaded an average of 250 times a month. And because there are so many of these non-hits, their sales, while individually small, quickly add up.” And, concludes Anderson, what’s so extraordinary about the Long Tail is its sheer size. If enough non-hits are combined, a market that rivals that of the hits results.

That’s why, writes Anderson, the future of business is clear: it’s heading toward selling less of more. The Long Tail rules!