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members
music
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classical cool

How a genre got its groove back

do it yourself

Our guide to a solo future



well
respected
man

'Endless choice is creating unlimited demand', claims Chris Anderson, editor-in-chief of *Wired* magazine and creator of the 'long tail' concept. So, what does this mean for music?



The Long Tail

The theory of the 'long tail' is that our culture and economy is increasingly shifting away from a focus on a relatively small number of 'hits' (mainstream products and markets) at the head of the demand curve, toward a huge number of niches in the 'tail'.

In a traditional 'bricks and mortar' retail scenario, 20 percent of the products that are for sale account for 80 percent of the revenues and virtually all of the profits (because high-turn products use shelf space more efficiently). Retailers have therefore been tempted to only stock the 'hits' - in other words, they will only carry content that can generate sufficient demand to earn its keep.

For example, an average movie theatre will not show a film unless it can attract at least 1,500 people over a two-week run; that's essentially the rent for a screen. An average record store needs to sell at least two copies of a CD a year to make it worth carrying; that's the rent for a half inch of shelf space.

Then came online retailing. For a retailer like Amazon, where shelf space is infinite and the cost of carrying a niche product is roughly the same as carrying a hit product, three things change:

1. you can offer many more products
2. it is so much easier to find these products thanks to filters
3. because the economics of niches are roughly the same as hits, profit is spread as evenly as sales

This is known as 'the long tail' concept.

The long tail is being felt across all media industries. The first major observation of the long tail in action comes from book sellers. The average offline Barnes & Noble store carries 100,000 titles - yet nearly a quarter of Amazon's book sales

come from outside its top 100,000 titles. In other words, the potential book market may be a third again as big as it traditionally appears.

But the 'bricks and mortar' retailers couldn't get there because of something known as 'the economics of scarcity'.

The widening of the market - offline to online - is not just about titles and turnover, but profits too. Consider the economics of DVD retailing, where the data suggests that niches may even be proving more profitable than hits. This is because influential big box retailers such as WalMart sell DVDs as loss leaders for the first few weeks of

distribution is expensive. So, for TV, if content could circulate cheaply to vast numbers across P2P networks, with the advertising intact, everyone involved is on to a winner. Indeed, this now appears to be happening; NBC has announced a strategic partnership with YouTube.

So, what about the music industry? The move from a physical world to a digital one not only un-bundles the album concept to a track-by-track purchase model, but also un-bundles the purchasing habits of the consumer. Put another way, if the consumer was to spend £10 per week on music, it doesn't need to be consumed entirely

by one sole album, rather - as the data suggests - the top three songs from the hit will be purchased, with the rest of the spend being freed up to go elsewhere.

To get an idea of where that 'elsewhere' might be, let's revisit the 'economics of scarcity.' Compare Rhapsody, a subscription-based streaming music service that currently offers more than 1,500,000 digital tracks to WalMart's physical \$2,000 - which are all bundled into 4,000 albums. Nearly half of WalMart's music business is selling the top 100 artists. Rhapsody's business from the top 100 artists is less than a quarter. This is a great example of the long tail at work.

This comment article was prepared by Chris Anderson and Will Page, Executive Director of Research at the MCPS-PRS Alliance.

Chris Anderson's book is *The Long Tail: How Endless Choice Is Creating Unlimited Demand*. Follow the debate at www.thelongtail.com

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release as part of a strategy to draw consumers into their stores to shop for other 'high margin' items. If your sole business is DVDs, then making the economics of 'the head' work becomes even tougher against retailers like WalMart.

If your demand can be shifted further down the tail, then your profit picture would improve dramatically. This shift won't be overnight, (although Netflix are already pursuing this route), but the use of filters, recommendations and databases such as IMDB all help in opening up a new market for niches.

Television may well see the greatest transformation of all - with the opportunity created by internet distribution. Think: most TV is already free, content owners want to reach more viewers for their advertisers and conventional