

The Long Tail - Will's Working on Niche Markets

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 and toward a huge number of niches in the tail. Click on the thumbnail to illustrate an example of long tail economics the top is a simplified traditional retail scenario in which 20% of the products account for 80% of the revenues and virtually all of the profits (because high-turn products use shelf space more efficiently). But in Long Tail market at the bottom, 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: (i) you can offer many more products and (ii) because it is so much easier to find these products thanks to filters and (iii) Because the economics of niches are roughly the same as hits, profit is spread as evenly as sales.

Chris Anderson, editor-in-chief of Wired Magazine, has taken the bold step to develop his forthcoming book through his public diary, where every chapter is being challenged by fellow economists. Check in on the Blog for Will Page's contributions to this important development in book, film and music industries.