

# From Niches to Riches: The Anatomy of the Long Tail

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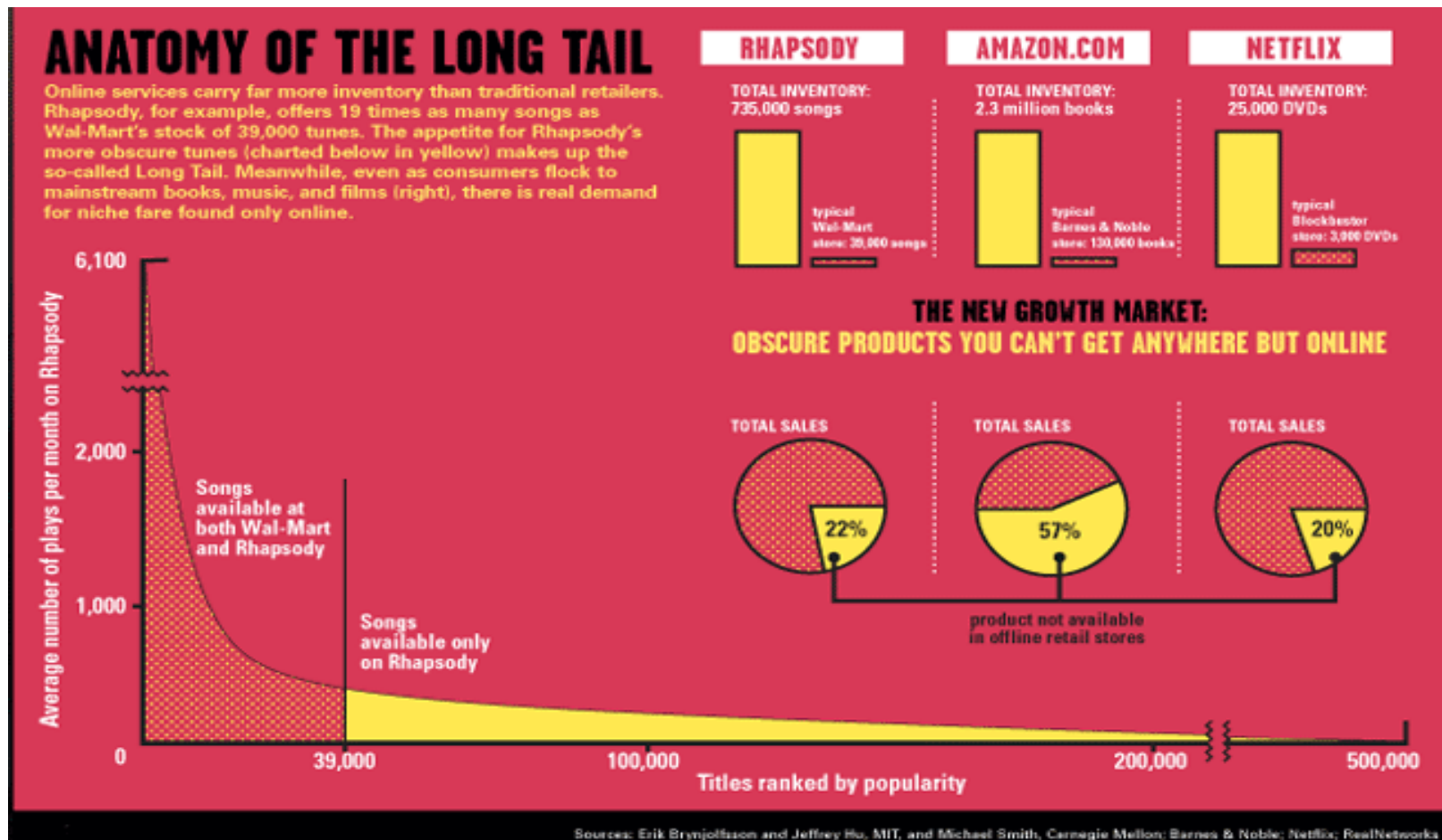
# Structure of the Presentation

- What is the Long Tail? Origins of a theory and its essence
- What drives the Long Tail?
- Relation to eDiversity: Implications for the structure of markets? Implications for regulation?

# The Long Tail / Origins

- Power laws / Pareto efficiency (80/20)
- Chris Anderson
- Brynjolfsson, Hu and Smith

# What is the Long Tail?



## Anderson`s Observations

- the tail of available variety is far longer than we realise (almost no end);
- it is now within reach economically;
- all those niches, when aggregated can make up a significant market.

## Brynjolfsson & Co. Observations

- consumer benefit larger because of the increased variety;
- search costs change the distribution of sales;
- the head of the snake is smaller and the tail is longer;
- consumers with prior experience tend to choose more obscure products.

## Drivers of the Long Tail

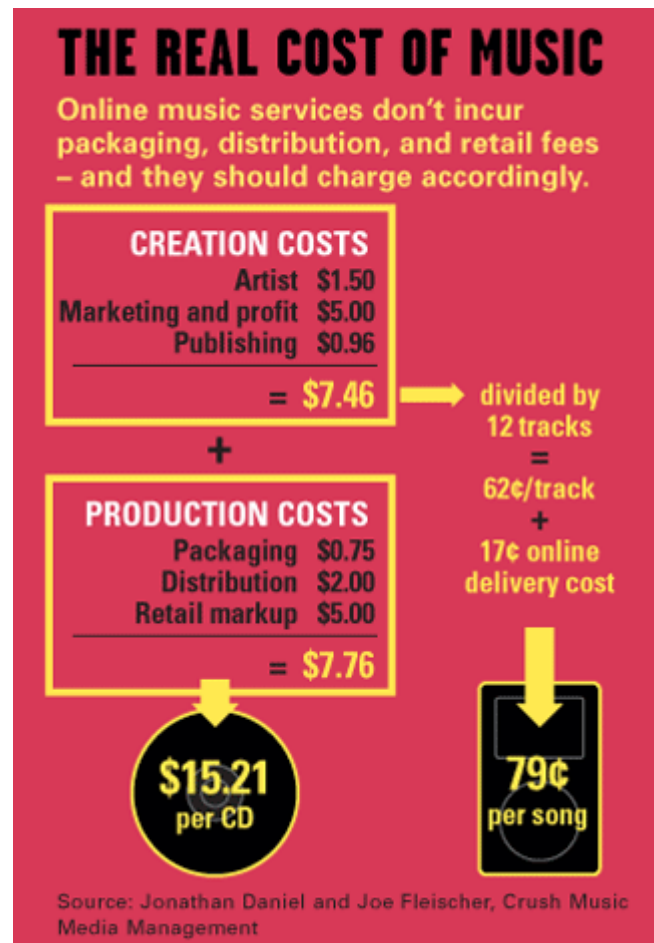
- Low inventory storage and distribution costs;
- Low search costs / facilitated search;
- Technology;
- Web 2.0.

# Lower inventory storage costs



*Amazon UK Warehouse*

# Lower distribution / production costs



# Lower search costs



# Web 2.0



# Technology



*Steve Jobs with Apple  
Macintosh, 1984*

# The laws of technological advances

Technology nomenclature	Component	Cost-efficiency effect
Moore's Law	Microprocessor	Doubles every 18 months, e.g. from 2GHz to 4GHz
Metcalfe's Law	Network	Increases potential value of network by square of number of nodes
Disc Law	Storage – hard disk	Doubles storage cost-efficiency each year
Data packet transfer	Data compression	Increases: boosted by improved codecs e.g. DivX, RealPlayer, Windows Media
Gilder's Law	Transmission equipment	Bandwidth increases three times faster than microprocessor power – Moore's Law x3.
Fibre Law	Transmission network	Capacity doubles every nine months

Source: RAND Analysis

## (A few) implications of the Long Tail

- New media environment: modified business and consumer models;
- Presently not sufficiently researched effects on the diversity of cultural expressions;
- New regulatory toolbox(?);
- Other unattended societal consequences.



**Thank you.**