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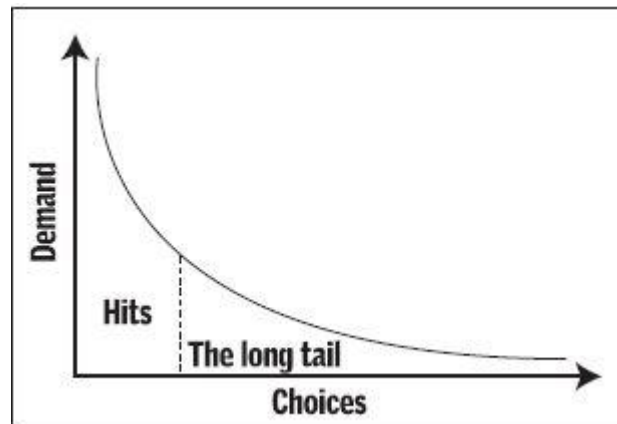
## Stocks

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## The opportunity in the long tail

*Traditional wisdom would suggest that 'non-hits' is not a market worth chasing. The facts, however, prove the opposite.*



*Mohit Kishore*

We live in a world of infinite choices. Yet traditionally, mass media and mass marketing have always trained their attention on 'hits'. The reason why they do this is the prohibitive cost of

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distribution of goods and services. Thus, an average bookstore owner needs to decide exactly which titles to stock in order to optimally monetise the limited shelf space that he has available. In other words, he needs to clearly identify the 'hits' which would sell enough copies to justify their existence on his shelves.

#### Cross Currency

- Rates

This notion of 'hits' extends to all other types of products — music albums, films, fashion, retail stores and so on. So is there a market beyond these hits? Traditional wisdom would suggest that 'non-hits' is not a market worth chasing. The facts, however, prove the opposite.

#### Shipping

- Ports

With the advent of the Internet, limitations such as distribution costs and shelf space have ceased to exist. Thus, an Amazon.com can offer an unlimited choice of books by an unlimited number of authors that traditional bookstores cannot offer because the sales of such books would not make up for the cost of printing and distributing them. In theory, Amazon can make a book available on its Web site even if less than 50 people eventually buy it.

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The long tail as a concept was first elucidated by Chris Anderson in his bestselling book by the same name. The long tail refers to the tail of the demand curve where infinite choices exist. The head of the demand curve consists of all the 'hits' which are very popular, and the tail extends infinitely to cover infinite 'non-hits', i.e. products with niche consumers. Earlier, marketers ignored the tail because they did not have the means to make the products in the tail available to their audiences, but today the Internet enables them to do so profitably. An analysis of Amazon's sales by Chris Anderson indicated that a large proportion of its income actually came from obscure titles and not bestsellers.

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#### Group Sites

Mass customisation

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One major advantage of using the long tail benefits of the Internet is that it enables producers — of products, content and so on — to offer truly customised products to their target group. Apple's iTunes, for instance, can offer songs by totally unknown artists who may not have a market in traditional mass media. YouTube offers small filmmakers the opportunity to showcase their content to the whole world. Self-publishing tools such as blogs allow you to write about extremely esoteric topics and still have a global audience for your offering.

The tail of the demand curve explains why small budget films such as *Khosla ka Ghosla* and *Bheja Fry* managed to become 'hits' in the face of competition from traditional big budget films. These smaller films managed to find an efficient distribution channel (multiplexes that screen many movies and hence diversify risk) to reach their small target audience (possibly educated urban youth who frequent multiplexes and prefer meaningful cinema to blockbuster entertainers). Such examples also prove that to tap into long tail markets, the Internet need not be the only medium.

#### The Indian context

Is Indian business geared up to the long tail opportunity? Sadly, the answer seems to be a big no. Not enough companies are actively using the Internet as a significant distribution channel for their products. In a market with about 50 million Internet users that is growing faster than ever before, it is critical for companies to have a significant footprint in the online world too.

Some players use the Internet as an online replica of their offline offerings. Big retail chains have launched such e-commerce portals that mirror their store offerings. A better strategy would be to use the Internet to purely tap into long tail

markets. Companies in the financial services space can allow their customers to buy customised products that would otherwise cost a lot to launch due to the prohibitive costs of training intermediaries (this sector is today dependent on intermediaries). Telecom companies could use the Internet to launch a number of niche tariff plans. (I'm imagining a slider-based interface that allows me to precisely set my rental, STD, local calls and SMS tariffs).

The traditional argument against such ideas is that you need a critical mass of customers to launch a product. Yet, the magic of the long tail is precisely the fact that you are targeting customers who are not usually on your radar, but rather the small number of customers (which we could call micro-segments) who buy niche offerings. Multiply an infinite number of such micro-segments with the small volumes associated with each micro-segment and you have potentially huge revenues. The possibilities are endless at the tail of the demand curve and it can no longer be ignored in the midst of the noise generated by 'hits'. What remains to be seen is how innovative we can get with tapping these micro-segments of the market.

*(The writer, an alumnus of XLRI, works with a multinational financial services company.)*

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The Hindu Business Line

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