G53DDB: Lecture 3
Coursework 2007

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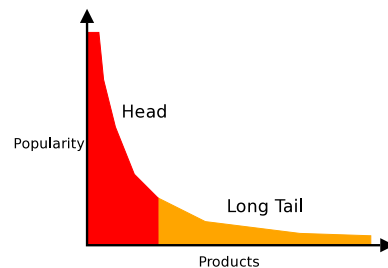
The 20/80 Rule

Conventional Wisdom says that 20 % of the products account for 80 % of the sales (and usually all the profit).

Implication: a "Hit Economy":

- Limited, valuable store shelf space must be filled by products that sell well.
- Limited number of screens means preferable to show films that draw the large crowds.
- Limited airtime means only hits gets played as this attracts listeners which in turn brings in revenue from advertising.

Is the 80/20 rule still valid? (1)

Chris Anderson: editor in chief of Wired Magazine.

- Anderson argues that the 80/20 rule no longer holds in many market segments.
- Anderson was once was asked by a CEO for a "digital jukebox company": How many of their 10000 tracks had sold at least once per quarter?
- Answer: 98%

Is the 80/20 rule still valid? (1)

- As the difference in cost between a small and large digital track library is very small, it has all of a sudden become profitable to address the low-volume end of the market.
- Anderson argues that this trend will affect more and more market segments.
- Indeed, he even suggests that (at home) 3D printing might, in the long term future, totally change even what kind of physical things it makes sense to "keep in stock" (in the form of manufacturing instructions).

The Long Tail (1)

Chris Anderson. *The Long Tail: Why the Future of Business is Selling Less of More*, Hyperion, 2006.

"What happens when everything in the world becomes available to everyone? When the combined value of all the millions of items that may sell only a few copies equals or exceeds the value of the few items that sell millions each? . . ."

The Long Tail (2)

Chris Anderson. *The Long Tail: Why the Future of Business is Selling Less of More*, Hyperion, 2006.

"What happens when . . . a bunch of kids with no profit motive can record a song or video and get the same electronic distribution for it as the most powerful corporation?"

The Long Tail (3)

Examples

Some success stories that arguably at least in part are due to this trend:

- iTunes
- Netflix
- eBay
- Amazon
- More?

Your Task (1)

Write an Essay on the idea of the Long Tail or a chosen aspect of it.

- Worth 25% of the mark.
- Up to 4000 words.
- Deadline: *16 March*

Some starting points:

- The book *The Long Tail*.
- http://www.thelongtail.com/

Your Task (2)

You will have to:

- Gather information.
- Critically evaluate your sources.
- Critically evaluate the opinions of others and form your own.
- Draw well-informed conclusions/make predictions based on this.
- Communicate your results effectively in writing.

Finally . . .

- Any spontaneous thoughts and comments?
- Questions?

Some Questions You Might Ask

- How new is this really? E.g. haven't people always made money out of selling few things of many different kinds? E.g.
  - Used book stores
  - Flea markets
- In the grand scheme of things, how important can this really be or become?
  - How large part of people's income might be spent on "long-tail" products?
  - On a global scale, how large part of the worldwide trade could this really affect?

The Essay: Things to Keep in Mind

- The essay should cover general background, survey of opinions, critical evaluation, analysis, conclusions.
- You must argue your case well, and support what you say with references.
- *Unsubstantiated ramblings are out!*
- Good English, good structure, nice type setting, correct referencing of sources.