Rewriting the Rules of Culture and Commerce

THE LONG TAIL

How Endless Choice is
Creating Unlimited Demand

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EXCLUSIVE EXTRACT

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INTRODUCTION

The tracking of top-seller lists is a national obsession. Our culture is a massive popularity contest. We are consumed by hits—making them, choosing them, talking about them, and following their rise and fall. Every weekend is a box-office horse race, and every Thursday night is a Darwinian struggle to find the fittest TV show and let it live to see another week. A few hit songs play in heavy rotation on the radio dials, while entertainment executives in all these industries sweat as they search for the next big thing.

This is the world the blockbuster built. The massive media and entertainment industries grew up over the past half century on the back of box-office rockets, gold records, and double-digit TV ratings. No surprise that hits have become the lens through which we observe our own culture. We define our age by our celebrities and mass-market products—they are the connective tissue of our common experience. The star-making system that Hollywood began eight decades ago has now spun out into every corner of commerce, from shoes to chefs. Our media is obsessed with what's hot and what's not. Hits, in short, *rule*.

Yet look a little closer and you'll see that this picture, which first emerged with the postwar broadcast era of radio and television, is now

starting to tatter at the edges. Hits are starting to, gasp, *rule less*. Number one is still number one, but the sales that go with that are not what they once were.

Most of the top fifty best-selling albums of all time were recorded in the seventies and eighties (the Eagles, Michael Jackson), and none of them were made in the past five years. Hollywood box-office revenue was down by more than 6 percent in 2005, reflecting the reality that the theatergoing audience is falling even as the population grows.

Every year network TV loses more of its audience to hundreds of niche cable channels. Males age eighteen to thirty-four, the most desirable audience for advertisers, are starting to turn off the TV altogether, shifting more and more of their screen time to the Internet and video games. The ratings of top TV shows have been falling for decades, and the number one show today wouldn't have made the top ten in 1970.

In short, although we still obsess over hits, they are not quite the economic force they once were. Where are those fickle consumers going instead? No single place. They are scattered to the winds as markets fragment into countless niches. The one big growth area is the Web, but it is an uncategorizable sea of a million destinations, each defying in its own way the conventional logic of media and marketing.

ITUNES KILLED THE RADIO STAR

I came of age in the peak of the mass-culture era—the seventies and eighties. The average teenager then had access to a half dozen TV channels, and virtually everyone watched a few or more of the same handful of TV shows. There were three or four rock radio stations in any town that largely dictated what music people listened to; only a few lucky kids with money built record collections that ventured farther afield.

We all saw the same summer blockbusters in the theater and got our news from the same papers and broadcasts. About the only places you could explore outside the mainstream were the library and the comic book shop. As best I can recall, the only culture I was exposed

to other than mass culture was books and whatever my friends and I made up, and that traveled no farther than our own backyards.

Contrast my adolescence with that of Ben, a sixteen-year-old who grew up with the Internet. He's the single child of affluent parents in the tony North Berkeley Hills, so he's got a Mac in his bedroom, a fully stocked iPod (and a weekly iTunes allowance), and a posse of friends with the same. Like the rest of his teenage friends, Ben has never known a world without broadband, cell phones, MP3s, TiVo, and on-line shopping.

The main effect of all this connectivity is unlimited and unfiltered access to culture and content of all sorts, from the mainstream to the farthest fringe of the underground. Ben is growing up in a different world from the one I grew up in, a world far less dominated by any of the traditional media and entertainment industries. If you don't recognize yourself in the pages to come in this book, imagine Ben instead. His reality is the leading edge of all of our futures.

From Ben's perspective, the cultural landscape is a seamless continuum from high to low, with commercial and amateur content competing equally for his attention. He simply doesn't distinguish between mainstream hits and underground niches—he picks what he likes from an infinite menu where Hollywood movies and player-created video-game stunt videos are listed side by side.

Ben watches just two hours or so a week of regular TV, mostly *West Wing* (time shifted, of course) and *Firefly,* a canceled space serial he has stored on his TiVo. He also counts as TV the anime he downloads with BitTorrent, a peer-to-peer file-sharing technology, because it was originally broadcast on Japanese television (the English subtitles are often edited in by fans).

When it comes to movies, he's a sci-fi fan, so he's pretty mainstream. *Star Wars* is a passion, as was the *Matrix* series. But he also watches movies he downloads, such as amateur machinima (movies made by controlling characters in video games) and independent productions such as *Star Wars Revelations,* a fan-created tribute film with special effects that rival the Lucas originals.

Some of the music on his iPod is downloaded from iTunes, but most comes from his friends. When one of the group buys a CD, he or

she typically makes copies for everyone else. Ben's taste is mostly classic rock—Led Zeppelin and Pink Floyd—with a smattering of video-game soundtracks. The only radio he listens to is when his parents turn on NPR in the car.

Ben's reading ranges from *Star Wars* novels to Japanese manga, with a large helping of Web comics. He, like a few of his friends, is so into Japanese subculture that he's studying Japanese in school. When I was in school, kids studied Japanese because Japan was a dominant economic power and language skills were thought to open up career opportunities. But now kids study Japanese so they can create their own anime subtitles and dig deeper into manga than the relatively mainstream translated stuff.

Most of Ben's free time is spent online, both randomly surfing and participating in user forums such as Halo and *Star Wars* discussion sites. He's not interested in news—he reads no newspapers and watches no TV news—but follows the latest tech and subculture chatter on sites such as Slashdot (geek news) and Fark (weird news). He instant messages constantly all day with his ten closest friends. He doesn't text much on his cell phone, but he has friends that do. (Texting is preferred by those who are out and about a lot; IM is the chat channel of choice for those who tend to spend more time in their own rooms.) He plays video games with friends, mostly online. He thinks Halo 2 rocks, especially the user-modified levels.

I suspect that had I been born twenty-five years later, my teenage years would have been quite similar. The main difference between Ben's adolescence and my own is simply choice. I was limited to what was broadcast over the airwaves. He's got the Internet. I didn't have TiVo (or even cable); he has all that and BitTorrent, too. I had no idea there was even such a thing as manga, much less how to get it. Ben has access to it all. Would I have watched *Gilligan's Island* reruns if I'd been able to build a clan with friends in World of Warcraft online instead? I doubt it.

TV shows were more popular in the seventies than they are now not because they were better, but because we had fewer alternatives to compete for our screen attention. What we thought was the rising tide of common culture actually turned out to be less about the triumph of

Hollywood talent and more to do with the sheepherding effect of broadcast distribution.

The great thing about broadcast is that it can bring one show to millions of people with unmatchable efficiency. But it can't do the opposite—bring a million shows to one person each. Yet that is exactly what the Internet does so well. The economics of the broadcast era required hit shows—big buckets—to catch huge audiences. The economics of the broadband era are reversed. Serving the same stream to millions of people at the same time is hugely expensive and wasteful for a distribution network optimized for point-to-point communications.

There's still demand for big cultural buckets, but they're no longer the only market. The hits now compete with an infinite number of niche markets, of any size. And consumers are increasingly favoring the one with the most choice. The era of one-size-fits-all is ending, and in its place is something new, a market of multitudes.

This book is about that market.

This shattering of the mainstream into a zillion different cultural shards is something that upsets traditional media and entertainment no end. After decades of executives refining their skill in creating, picking, and promoting hits, those hits are suddenly not enough. The audience is shifting to something else, a muddy and indistinct proliferation of . . . Well, we don't have a good term for such non-hits. They're certainly not "misses," because most weren't aimed at world domination in the first place. They're "everything else."

It's odd that this should be an overlooked category. We are, after all, talking about the vast majority of everything. Most movies aren't hits, most music recordings don't make the top 100, most books aren't best-sellers, and most video programs don't even get measured by Nielsen, much less clean up in prime time. Many of them nevertheless record audiences in the millions worldwide. They just don't count as hits, and are therefore not counted.

But they're where the formerly compliant mass market is scattering to. The simple picture of the few hits that mattered and the everything else that didn't is now becoming a confusing mosaic of a million mini-markets and micro-stars. Increasingly, the mass market is turning into a mass of niches.

That mass of niches has always existed, but as the cost of reaching it falls—consumers finding niche products, and niche products finding consumers—it's suddenly becoming a cultural and economic force to be reckoned with.

The new niche market is not replacing the traditional market of hits, just sharing the stage with it for the first time. For a century we have winnowed out all but the best-sellers to make the most efficient use of costly shelf space, screens, channels, and attention. Now, in a new era of networked consumers and digital everything, the economics of such distribution are changing radically as the Internet absorbs each industry it touches, becoming store, theater, and broadcaster at a fraction of the traditional cost.

Think of these falling distribution costs as a dropping waterline or a receding tide. As they fall, they reveal a new land that has been there all along, just underwater. These niches are a great uncharted expanse of products that were previously uneconomic to offer. Many of these kinds of products have always been there, just not visible or easy to find. They are the movies that didn't make it to your local theater, the music not played on the local rock radio station, the sports equipment not sold at Wal-Mart. Now they're available, via Netflix, iTunes, Amazon, or just some random place Google turned up. The invisible market has turned visible.

Other niche products are new, created by an emerging industry at the intersection between the commercial and noncommercial worlds, where it's hard to tell when the professionals leave off and the amateurs take over. This is the world of bloggers, video-makers, and garage bands, all suddenly able to find an audience thanks to those same enviable economics of digital distribution.

THE 98 PERCENT RULE

This book began with a quiz I got wrong. One of the things I do as the editor of *Wired* is give speeches about technology trends. Because I started my career in the science world and then learned economics at *The Economist,* I look for those trends first in hard data. And, fortu-

nately enough, there has never been more data available. The secrets of twenty-first-century economics lie in the servers of the companies that are all around us, from eBay to Wal-Mart. Although it's not always easy to get the raw numbers, the executives at those companies swim in that data every day and have a great intuitive feel for what's meaningful and what isn't. So the trick to trend-spotting is to ask them.

Which is what I was doing in January 2004, in the offices of Robbie Vann-Adibé, the CEO of Ecast, a "digital jukebox" company. Digital jukeboxes are just like regular jukeboxes—a big enclosure with speakers and blinking lights, often found in bars—with the difference that rather than a hundred CDs, they have a broadband connection to the Internet and patrons can choose from thousands of tracks that are downloaded and stored on a local hard drive.

During the course of our conversation, Vann-Adibé asked me to guess what percentage of the 10,000 albums available on the jukeboxes sold at least one track per quarter.

I knew, of course, that Vann-Adibé was asking me a trick question. The normal answer would be 20 percent because of the 80/20 Rule, which experience tells us applies practically everywhere. That is: 20 percent of products account for 80 percent of sales (and usually 100 percent of the profits).

But Vann-Adibé was in the digital content business, which is different. So I thought I'd go way out on a limb and venture that a whopping 50 percent of those 10,000 albums sold at least one track a quarter.

Now, on the face of it, that's absurdly high. Half of the top 10,000 books in a typical book superstore don't sell once a quarter. Half of the top 10,000 CDs at Wal-Mart don't sell once a quarter; indeed, Wal-Mart doesn't even carry half that many CDs. It's hard to think of any market where such a high fraction of such a large inventory sells. But my sense was that digital was different, so I took a chance on a big number.

I was, needless to say, way, way off. The answer was 98 percent.

"It's amazing, isn't it?" Vann-Adibé said. "Everyone gets that wrong." Even he had been stunned: As the company added more titles to its collections, far beyond the inventory of most record stores and

into the world of niches and subcultures, they continued to sell. And the more the company added, the more they sold. The demand for music beyond the hits seemed to be limitless. True, the songs didn't sell in big numbers, but nearly all of them sold something. And because these were just bits in a database that cost nearly nothing to store and deliver, all those onesies and twosies started to add up.

What Vann-Adibé had discovered was that the aggregate market for niche music was huge, and effectively unbounded. He called this the "98 Percent Rule." As he later put it to me, "In a world of almost zero packaging cost and instant access to almost all content in this format, consumers exhibit consistent behavior: They look at almost everything. I believe that this requires major changes by the content producers—I'm just not sure what changes!"

I set out to answer that question. I realized that his counterintuitive statistic contained a powerful truth about the new economics of entertainment in the digital age. With unlimited supply, our assumptions about the relative roles of hits and niches were all wrong. Scarcity requires hits—if there are only a few slots on the shelves or the airwaves, it's only sensible to fill them with the titles that will sell best. And if that's all that's available, that's all people will buy.

But what if there are infinite slots? Maybe hits are the wrong way to look at the business. There are, after all, a lot more non-hits than hits, and now both are equally available. What if the non-hits—from healthy niche product to outright misses—all together added up to a market as big as, if not bigger than, the hits themselves? The answer to that was clear: It would radically transform some of the largest markets in the world.

And so I embarked on a research project that was to take me to all the leaders in the emerging digital entertainment industry, from Amazon to iTunes. Everywhere I went the story was the same: Hits are great, but niches are emerging as the big new market. The 98 Percent Rule turned out to be nearly universal. Apple said that every one of the then 1 million tracks in iTunes had sold at least once (now its inventory is twice that). Netflix reckoned that 95 percent of its 25,000 DVDs (that's now 55,000) rented at least once a quarter. Amazon didn't give out an exact number, but independent academic research

on its book sales suggested that 98 percent of its top 100,000 books sold at least once a quarter, too. And so it went, from company to company.

Each company was impressed by the demand they were seeing in categories that had been previously dismissed as beneath the economic fringe, from the British television series DVDs that are proving surprisingly popular at Netflix to the back-catalog music that's big on iTunes. I realized that, for the first time, I was looking at the true shape of demand in our culture, unfiltered by the economics of scarcity.

That shape is, to be clear, really, really weird. To think that basically everything you put out there finds demand is just odd. The reason it's odd is that we don't typically think in terms of one unit per quarter. When we think about traditional retail, we think about what's going to sell a lot. You're not much interested in the occasional sale, because in traditional retail a CD that sells only one unit a quarter consumes exactly the same half-inch of shelf space as a CD that sells 1,000 units a quarter. There's a value to that space—rent, overhead, staffing costs, etc.—that has to be paid back by a certain number of inventory turns per month. In other words, the onesies and twosies waste space.

However, when that space doesn't cost anything, suddenly you can look at those infrequent sellers again, and they begin to have value. This was the insight that led to Amazon, Netflix, and all the other companies I was talking to. All of them realized that where the economics of traditional retail ran out of steam, the economics of online retail kept going. The onesies and twosies were still only selling in small numbers, but there were so, so *many* of them that in aggregate they added up to a big business.

Throughout the first half of 2004 I fleshed out this research in speeches, the thesis advancing with each talk. Originally the speech was called "The 98 Percent Rule." Then it was "New Rules for the New Entertainment Economy" (not one of my better naming moments).

But by then I had some hard data, thanks to Rhapsody, which is one of the online music companies. They had given me a month's worth of customer usage data, and when I graphed it out, I realized that the curve was unlike anything I'd seen before.

It started like any other demand curve, ranked by popularity. A few

hits were downloaded a huge number of times at the head of the curve, and then it fell off steeply with less popular tracks. But the interesting thing was that it never fell to zero. I'd go to the 100,000th track, zoom in, and the downloads per month were still in the thousands. And the curve just kept going: 200,000, 300,000, 400,000 tracks—no store could ever carry this much music. Yet as far as I looked, there was still demand. Way out at the end of the curve, tracks were being downloaded just four or five times a month, but the curve still wasn't at zero.

In statistics, curves like that are called "long-tailed distributions," because the tail of the curve is very long relative to the head. So all I did was focus on the tail itself, turn it into a proper noun, and "The Long Tail" was born. It started life as slide 20 of one of my "New Rules" presentations. I think it was Reed Hastings, the CEO of Netflix, who convinced me that I was burying my lead. By the summer of 2004 "The Long Tail" was not just the title of my speeches; I was nearly finished with an article of the same name for my own magazine.

When "The Long Tail" was published in *Wired* in October 2004, it quickly became the most cited article the magazine had ever run. The three main observations—(1) the tail of available variety is far longer than we realize; (2) it's now within reach economically; (3) all those niches, when aggregated, can make up a significant market—seemed indisputable, especially backed up with heretofore unseen data.

TAILS EVERYWHERE

One of the most encouraging aspects of the overwhelming response to the original article was the breadth of industries in which it resonated. The article originated as an analysis of the new economics of the entertainment and media industries, and I only expanded it a bit to mention in passing that companies such as eBay (with used goods) and Google (with small advertisers) were also Long Tail businesses. Readers, however, saw the Long Tail everywhere, from politics to public relations, and from sheet music to college sports.

What people intuitively grasped was that new efficiencies in distri-

bution, manufacturing, and marketing were changing the definition of what was commercially viable across the board. The best way to describe these forces is that they are turning unprofitable customers, products, and markets into profitable ones. Although this phenomenon is most obvious in entertainment and media, it's an easy leap to eBay to see it at work more broadly, from cars to crafts.

Seen broadly, it's clear that the story of the Long Tail is really about the economics of abundance—what happens when the bottlenecks that stand between supply and demand in our culture start to disappear and everything becomes available to everyone.

People often ask me to name some product category that does not lend itself to Long Tail economics. My usual answer is that it would be in some undifferentiated commodity, where variety is not only absent but unwanted. Like, for instance, flour, which I remembered being sold in the supermarket in a big bag labeled "Flour." Then I happened to step inside our local Whole Foods grocery and realized how wrong I was: Today the grocery carries more than twenty different types of flour, ranging from such basics as whole wheat and organic varieties to exotics such as amaranth and blue cornmeal. There is, amazingly enough, already a Long Tail in flour.

Our growing affluence has allowed us to shift from being bargain shoppers buying branded (or even unbranded) commodities to becoming mini-connoisseurs, flexing our taste with a thousand little indulgences that set us apart from others. We now engage in a host of new consumer behaviors that are described with intentionally oxymoronic terms: "massclusivity," "slivercasting," "mass customization." They all point in the same direction: more Long Tails.

I

THE NEW TASTEMAKERS

THE ANTS HAVE MEGAPHONES. WHAT ARE THEY SAYING?

Once upon a time, there was really only one way to launch a hit album: radio. Nothing else reached as many people, as often. Getting on a radio playlist was tricky (especially after payola was outlawed), but once a song was in heavy rotation it had a high probability of selling. Then, in the 1980s, came MTV, which became the second way to create a hit. It had even more limited capacity for new music, but its influence over a generation was unparalleled. For the music labels, those were good times. It was a brutally competitive business, but it was a business they knew. They understood the rules, and they could earn their keep by working them.

But now rock radio is in seemingly terminal decline and MTV doesn't show many music videos anymore. So how to market music? Labels know the answer lies online, tapping the word-of-mouth forces that are replacing traditional marketing in creating demand, but they're still trying to figure out exactly how best to do it.

We're entering an era of radical change for marketers. Faith in advertising and the institutions that pay for it is waning, while faith in individuals is on the rise. Peers trust peers. Top-down messaging is losing traction, while bottom-up buzz is gaining power. Dell spends

hundreds of millions each year on promoting its quality and customer service, but if you Google "dell hell" you'll get 55,000 pages of results. Even the word "dell" returns customer complaints by the second page of results. The same inversion of power is now changing the marketing game for everything from individual products to people. The collective now controls the message.

For a generation of customers used to doing their buying research via search engine, a company's brand is not what the company says it is, but what Google says it is. The new tastemakers are us. Word of mouth is now a public conversation, carried in blog comments and customer reviews, exhaustively collated and measured. The ants have megaphones.

The question of how to drive demand in such a world is a key one, and in this chapter I'll describe many of the techniques that work best. But first, I'll start with the music industry, ground zero of the Long Tail explosion. Three bands tell the story of an era where the power has shifted from music executives to fans, to the consternation of suits everywhere. The results are mixed—one is a disappointment, another a success, and the third a sobering lesson in how bands may soon not need labels at all—but together they illuminate the challenges of selling in a new era of empowered consumers.

BONNIE MCKEE

In September 2004, the record label Reprise (a subsidiary of Warner) released the debut album by a then-nineteen-year-old singer named Bonnie McKee. It was a rocky start. The record had been recorded twice and delayed a year while the label tried to figure out what to do with it—and her. Although young, McKee had a mature, throaty voice, wrote her own songs, and had had a troubled adolescence that involved drugs and sexual experimentation. She had married at eighteen but openly dated other men, sometimes those twice her age. Her hero was the delightfully unhinged Fiona Apple, another artist whom record labels have had trouble categorizing.

Based on her hard-luck story and rough edges, Reprise eventually

decided McKee fit into the singer-songwriter rock category that included the likes of Sheryl Crow. They titled her album *Trouble* and began a marketing plan that would pitch her to so-called adult contemporary radio stations, which appeal mostly to women in their late twenties and early thirties.

Such guesswork is risky—even the labels can't predict whether and where an artist will resonate—yet for new acts without a touring history there have been few alternatives. But today radio is no longer the only way to launch new artists. So while it was preparing its radio rollout, Reprise prereleased several tracks to online music sites, including Yahoo!, which has a free Internet radio service called LAUNCHcast. One of the most popular features of LAUNCHcast is its customized radio station, which allows its millions of users to select bands and genres they like and then listen to those bands and others like them for free. Reprise decided to see if this audience could help them find out where McKee fit in.

LAUNCHcast is built around an "adaptive" recommendation system that decides based on your preferences what else you might like. While each song is played, a little window display encourages you to rate the song, artist, and album on a scale of one to five stars, from "Never play again" to "Can't get enough." As you listen to music and rate it, Yahoo!'s software is getting to know you and changing the playlist of upcoming songs accordingly.

But it's not just software. LAUNCHcast is also learning from other listeners and using their opinions to guide its recommendations. Because this is an online service with millions of users, Yahoo! is able to record hundreds of millions of likes and dislikes each year, measuring the taste of its listeners with remarkable precision. This tells it something not only about each of its users, and how to provide them with more music that they'll like, but also about the music itself. LAUNCHcast, along with being a free music service, is a polling machine of remarkable size and fine-grained resolution. It is, in a sense, constantly taking the pulse of the culture, learning how artists fit into it through the clicks of millions of music fans.

If enough people say they like Groove Armada as well as The Crystal Method, there may well be a stylistic connection between them,

despite the fact that one's categorized as "downtempo" and the other "beats and breaks." Such strong associations tell Yahoo! to put the two on the same playlists more often, and if the positive ratings continue to come in, that connection is reinforced.

As Yahoo!'s software makes custom playlists for each listener, it occasionally sprinkles in a few new artists and tracks to see if they resonate. Radio stations do this, too, but typically only with artists who have a good track record, and even then only after much pretesting and record-label marketing. The difference is that Yahoo! has literally millions of radio stations, each one of them a stream customized for a user. It effectively has infinite broadcast capacity, and thus, just as with infinite shelf space, it can afford to be a lot less discriminating. So it can try to break more new artists and albums—thousands of new songs each year, almost all of which will get no airplay on traditional radio.

If a new song gets high ratings from the few listeners who first hear it, Yahoo! will add it to more playlists. Unlike a traditional radio station, Yahoo! knows quite a bit about those listeners who liked the song. It knows their gender, age, zip code, and a lot about their musical taste from having tracked their listening behavior and ratings. These data streams, used cleverly, can unlock a powerful new way of marketing music—word of mouth amplified by the feedback effect of adaptive recommendations.

This is what drew Reprise to the service. Unsure of where to find an audience for the talented McKee, Reprise decided to use Yahoo!'s ability to test new artists by pushing her first single, "Somebody," to adult contemporary playlists, which were similar to the listenership of the radio stations they intended to market her to. The label paid for extra placement and promotion to push McKee out to more listeners, hoping that the ratings feedback would support their instincts about her natural audience. And after a few weeks, Yahoo! did indeed have its answer. "Somebody" was very popular, but not equally with all demographic groups—and not, surprisingly, with the 25–35 female group the label had aimed it at.

The report from LAUNCHcast showed the following demographic information about McKee's listeners:

AUDIENCE COMPOSITION

Females 13–17	29.9%
Females under 13	17.2%
Females 18–24	15.9%
Males 13–17	8.0%
Males 18–24	6.4%
Males under 13	4.4%
Females 25+	11%
Males 25+	7.2%

The lesson was clear. Reprise had guessed wrong. Instead of appealing to women in their twenties and thirties, Bonnie actually appealed to a far younger audience, with nearly half of her listener base under the age of seventeen. Instead of showing an affinity to artists like Sheryl Crow, this listener constituency most commonly searched for artists like Avril Lavigne, Britney Spears, and Gwen Stefani. It turned out that many teenage girls could relate to the troubled adolescence and bruised romance story in McKee's lyrics.

By the middle of November 2004, "Somebody" had become the tenth most played song on LAUNCHcast. Finally, as a result of the promotional campaign, Bonnie McKee became a Top 50 search term on the service.

This data prompted label executives to make a major change in how they marketed Bonnie McKee. They gave her a makeover, emphasizing her edgier side, a sort of bubblegum Lolita-gone-wrong look. She was neither a Sheryl Crow nor a Britney Spears, they decided; she was the rebel anti-poptart, appealing to an angsty subset of the teen girl audience.

It was a smart move, but it didn't work. Her album sold fewer than 17,000 copies. Despite demographic and geographic data of where McKee's most receptive audience could be found, she still got virtually no airplay. "What we've learned is that if a band builds an online fan base first, they have a better chance of selling CDs when the song gets on the radio or MTV," says Robin Bechtel, who ran the marketing campaign. "Many artists who don't do that either fail at radio or get on

the radio and only the hit song gets downloaded, rather than people buying the whole album. It seems the fans aren't invested in the artist, just the song."

She speculates that demand for McKee's single was pretty much satisfied by all the free online access. Her appeal was apparently not deep enough to get people to go beyond the single they'd already heard online. The problem wasn't positioning or marketing, it was a lack of authentic grassroots support. Getting online consumers to pay for music today takes more than a catchy single; it requires a real fan base, ideally one spreading the word online.

MY CHEMICAL ROMANCE

Reprise found a perfect example of just that kind of fan base with a punk-pop fivesome from New Jersey called My Chemical Romance. Although the band's album *Three Cheers for Sweet Revenge* came out around the same time as McKee's, it was their second album. The first, on an independent label, had sold 10,000 copies, which suggested a small but strong core following. So five months before the second album's launch in May 2004, Reprise started giving tracks to Web sites focused on that core, such as Shoutweb.com and AbsolutePunk.net, to get the buzz going among the faithful in hopes that it would spread.

The label also pushed the band on PureVolume.com and MySpace.com, two relatively new (at the time) music-heavy social-networking sites with an exploding user base. It gave exclusive live tracks to PureVolume for promotions and premiered an Internet-only video for the band's first single, "I'm Not Okay (I Promise)."

Once the tracks were out there, Reprise could watch how they did. Using BigChampagne file-trading data, the label could see growing interest in "Not Okay," but also heavy trading and searching on the track "Helena." On the basis of that, it made "Helena" the next single, and, helped by requests from the band's core fans, the song got airplay. By the end of the summer, "Helena" had become the band's biggest radio single by far.

As the band went on tour in September, Reprise extended the promotions to Yahoo! Music and AOL, including audio, video, and a heavily promoted live performance from Yahoo!'s studios. Meanwhile, fans flocked to the band's Web site and MySpace page. My Chemical Romance now has Warner's largest email list.

The album went on to sell 1.4 million units, making it one of the biggest hits of the year. Most of that came after radio and MTV embraced the band and brought it to a larger audience, but it all started online, where the band's core audience had cemented its credibility.

What was the difference between My Chemical Romance and Bonnie McKee? Talent differences aside, My Chemical Romance had the advantage of an existing base of fans, both of its first album and its live shows. There were thousands of people already hungry for more from the band, and when the label gave them what they wanted, in the form of early online content, they returned the favor with strong word of mouth, including radio requests. And that, in turn, got the band the airplay that took it to the next level of popularity, acquiring a new, larger, set of fans.

McKee, by contrast, was a relatively unknown artist, who had rarely played live. Although people liked what they heard on Yahoo!, it wasn't enough to trigger real fan behavior. They didn't buy the album, and they didn't clamor for more. On MySpace, My Chemical Romance has nearly 450,000 "friends"; McKee has 9,000. Word of mouth makes all the difference.

BIRDMONSTER

This last example is a much smaller one, but one I know well, since it involves a former colleague. In the course of researching this book, I decided to track the progress of Birdmonster, an up-and-coming San Francisco band fronted by Peter Arcuni, an editorial assistant at *Wired*. The experience proved all too instructive.

Birdmonster is a prime example of how the three forces of the Long Tail are overturning the status quo in the music industry. Like all new rock bands, Birdmonster started by hustling for gigs. But rather than

pestering club owners for a break, the band members realized that there was now a smarter way. In club booking, the headliners are typically signed up first. Then, once the dates are set in the calendar, the club looks for opening acts to support them. Since virtually all club schedules are now online, opportunities for opening acts can be found simply by searching for the letters "TBA" and some other keywords to limit the search to local clubs. Then it's simply a matter of contacting the club and offering to fill that gap in their lineup.

But getting the club owners' attention isn't enough; they need to know that you'll be able to attract a crowd, too. For that Birdmonster used grassroots Internet marketing. It started an online mailing list and encouraged fans to register as "friends" on the band's MySpace page. It put a few songs on that page and listed its other gigs, along with pictures. Bookers could check it out, listen to songs, and see pictures from previous shows, while reading raves from the band's fans.

Birdmonster also courted Internet radio stations, which have none of the constraints of traditional broadcast. As it happened, it was "Ted," the owner of San Francisco's BagelRadio.com, who convinced the booker to give Birdmonster its first big break, an opening gig for Clap Your Hands Say Yeah. That (and a battle-of-the-bands contest) led to opening for the White Stripes, which was at that moment the pinnacle of indie rock. Birdmonster had arrived.

It was time to go beyond live gigs. The band recorded three tracks in a local independent studio and self-published them as a mini album, which they sent to a music service called CD Baby, which takes albums on consignment and sells them online. CD Baby, in turn, transferred the digital tracks to iTunes and other top music services, so they could be bought or streamed just like the biggest label hits.

The band then emailed song tracks and personal notes to various MP3 blogs, getting a positive mention on several, such as Music for Robots, which brought yet more attention. The band's MySpace page started filling up with fans, and soon managers, labels, and industry folks came calling with deals.

But then something surprising happened: Birdmonster turned the offers down. As Arcuni put it, "We're not anti-label in principle, but the numbers (risk vs. reward) didn't add up."

A music label exists primarily to fulfill four functions: (1) talent scouting; (2) financing (the advances bands get to pay for their studio time is like seed capital invested by a venture capitalist); (3) distribution; and (4) marketing.

From Birdmonster's perspective, they didn't need a label to provide that. A growing local fan base, amplified online, had already spotted their talent. Improving digital recording technology had made studio time cheaper than ever—they could record the tracks in a few days in the studio and then mix and overdub them at home using personal computers. The cost to record the entire album was less than $15,000, which they covered with credit cards and savings. CD Baby and a similar company called Cinderblock provided the distribution, which gave them a reach as broad as iTunes, Rhapsody, and the other top services. And MP3 blogs and MySpace were free marketing.

Why sign their life away now to a label, they reasoned, when they could record and distribute their music themselves and keep their creative independence? If the first self-released album did well, they'd be in a much stronger negotiating position with the label, for rereleasing the first album in stores, or for the second album, much as My Chemical Romance was after its first album. And if it didn't, there were still live shows and touring, which are really the best part of being in a band anyway. And so Arcuni quit his day job (our loss!) and set off to become a professional musician, emboldened in a DIY age where technology has shifted the balance of power from label to band.

THE POWER OF COLLECTIVE INTELLIGENCE

Yahoo! music ratings, Google PageRank, MySpace friends, Netflix user reviews—these are all manifestations of the wisdom of the crowd. Millions of regular people are the new tastemakers. Some of them act as individuals, others are parts of groups organized around shared interests, and still others are simply herds of consumers automatically tracked by software watching their every behavior.

For the first time in history, we're able to measure the consumption patterns, inclinations, and tastes of an entire market of con-

sumers in real time, and just as quickly adjust the market to reflect them. These new tastemakers aren't a super-elite of people cooler than us; they *are* us.

The trend watchers at Frog Design, a consultancy, see this as nothing less than an epochal shift:

> We are leaving the Information Age and entering the Recommendation Age. Today information is ridiculously easy to get; you practically trip over it on the street. Information gathering is no longer the issue—making smart decisions based on the information is now the trick. . . . Recommendations serve as shortcuts through the thicket of information, just as my wine shop owner shortcuts me to obscure French wines to enjoy with pasta.

Amplified word of mouth is the manifestation of the third force of the Long Tail: tapping consumer sentiment to connect supply to demand. The first force, democratizing production, populates the Tail. The second force, democratizing distribution, makes it all available. But those two are not enough. It is not until this third force, which helps people find what they want in this new superabundance of variety, kicks in that the potential of the Long Tail marketplace is truly unleashed.

The new tastemakers are simply people whose opinions are respected. They influence the behavior of others, often encouraging them to try things they wouldn't otherwise pursue. Some of these new tastemakers are the traditional professionals: movie and music critics, editors, or product testers. As our interests expand with the exploding availability of wide variety, the demand for such informed and trusted advice is now extending to the narrowest niches. Companies such as Weblogs, Inc. have built thriving businesses around starting blogs to serve narrow interests, from scuba diving and the WiMax wireless standards, to medical informatics.

Other tastemakers are celebrities, who are another sort of trusted guide, and whose influence on consumption continues to grow. From product placement in TV shows to the remarkable success of *InStyle* magazine (its great innovation was not cropping the photos at the

knees, so as to show the shoes), the power of celebrity is increasingly measured in terms of their ability to move merchandise. Whether you like it or not, Jessica Simpson is a tastemaker.

But not all celebrities are Hollywood stars. As our culture fragments into a million tiny microcultures, we are experiencing a corresponding rise of microcelebrities. In the technology world, these take the form of power bloggers, such as the team that writes DailyCandy, a fashion blog, or BoingBoing, a site focusing on technology and subculture, which is at the time of this writing the world's most popular blog. BoingBoing has the capacity to discover a cool toy, such as a $15 "20Questions" game built on a neural network trained online, and drive enough traffic to an online marketplace to sell it out in a day. Other microcelebrities are even more micro, ranging from high-ranking playlist contributors on iTunes to the taste mavens behind popular music blogs such as Pitchfork Media.

And then there is crowd behavior, which is best seen as a form of distributed intelligence. Examples of crowds are taggers on Flickr, the photo-sharing site that encourages you to invent your own categories for pictures (you may see Paris Hilton in the picture, but I see her Sidekick phone, and so I tag the photo "Sidekick"), and linkers who build online lists of Web pages they want to be able to find again.

People who are part of such a crowd may not think of themselves as offering recommendations or guidance at all. They're just doing what they do for their own reasons. But every day there is more and more software watching their actions, and drawing conclusions from them. The rise of the search engine as the economic force of Silicon Valley is simply a reflection of the value that we now recognize in the measurement and analysis of the actions of millions of individuals.

FILTERS RULE

The catch-all phrase for recommendations and all the other tools that help you find quality in the Long Tail is *filters*. These technologies and services sift through a vast array of choices to present you with the ones that are most right for you. That's what Google does when it ranks

results: It filters the Web to bring back just the pages that are most relevant to your search term. It's also what the "Most Popular Tracks" in the acid jazz subgenre on Rhapsody is doing.

Filters make up what Rob Reid, one of the founders of Listen.com, calls the "navigation layer" of the Long Tail. It's not unique to the Internet and, as he points out, it's not new:

> Interestingly, the power and importance of the navigation layer is not strictly an online phenomenon. For many years American Airlines made more money from its Sabre electronic reservation system (essentially the travel industry's shared navigation layer for the bewildering world of routes and airfares in the seventies and eighties) than the entire airline industry made collectively from charging people money to ride on planes. From time to time, certain Baby Bells were bringing in more profits from their yellow pages—essentially the navigation layer of all local business before the Web came along—than from their inherited monopolies. And at its peak, *TV Guide* famously rivaled the actual networks in profitability.
>
> In a world of infinite choice, context—not content—is king.

In today's Long Tail markets, the main effect of filters is to help people move from the world they know ("hits") to the world they don't ("niches") via a route that is both comfortable and tailored to their tastes. In a sense, good filters have the effect of driving demand down the tail by revealing goods and services that appeal more than the lowest-common-denominator fare that crowds the narrow channels of traditional mass-market distribution.

Reed Hastings, the CEO of Netflix, describes the effect of filters—in this case, sophisticated recommendation engines and ranking algorithms—in driving demand down the DVD Tail on his site.

> Historically Blockbuster has reported that about 90% of the movies they rent are new theatrical releases. Online they're more niche: about 70% of what they rent from their website is new releases and about 30% is back catalog. That's not true for Netflix. About 30% of what we rent is new releases and about 70% is back catalog and it's not because we have a different subscriber. It's because we create

demand for content and we help you find great movies that you'll really like. And we do it algorithmically, with recommendations and ratings.

Hastings believes that recommendations and other filters are one of Netflix's most important advantages, especially for non-blockbusters. Recommendations have all the demand-generation power of advertising, but at virtually no cost. If Netflix suggests a film to you based on what it knows about your taste and what others thought of that film, that can be more influential than a generic billboard aimed at the broadest possible audience. But these recommendations arise naturally from Netflix's customer data, and it has an infinite number of "billboards" (Web pages customized for each customer and each visit) on which to display them.

Advertising and other marketing can represent more than half of the costs of the average Hollywood blockbuster, and smaller films can't play in that game. Netflix recommendations level the playing field, offering free marketing for films that can't otherwise afford it, and thus spreading demand more evenly between hits and niches. They're a remarkable democratizing force in a remarkably undemocratic industry.

ONE SIZE FILTER DOESN'T FIT ALL

As we get deeper into filters and how they work, it helps to get an overview of their many types. Let's start with music. Here are some of the many different filter types a typical user on Rhapsody might encounter in a single session as he or she looks for new music. From the front page, a user might start with categories, which is a form of a *multi-level taxonomy*.

Let's say you begin in Alternative/Punk and then choose the subgenre Punk Funk. In that category, there's a *best-seller list,* which is led by Bloc Party as I write. If you click on Bloc Party, you'll find that *pattern matching* has created a list of related artists, which includes the Gang of Four. A click on that produces a list of "followers" (the Gang

of Four created the category of Punk Funk in their first incarnation, in the early eighties), which is a form of *editor recommendation* (you may also be persuaded by the *editorial review*).

Among those Gang of Four followers is the Rapture. Click on that, and if you like it, try a custom radio station tailored around that artist, which is a stream of songs by the Rapture and bands that other people who like the Rapture also like, which is a form of *collaborative filtering*. As you listen to that custom stream, you may find that among the bands that play, the one you like best is LCD Soundsystem. Click on that, listen for a while, and when you hunger for something new, try a *playlist* that features the band. That, in turn, will introduce you to Zero 7, where you may want to stay awhile.

A half dozen recommendation techniques have taken you from punk to soul, from the middle of the Head to the bottom of the Tail, and every step along the way made sense.

As great as music recommendations are getting these days, they aren't perfect. One of the problems is that they tend to run out of suggestions pretty quickly as you dig deeper into a niche, where there may be few other people whose taste and preferences can be measured. Another problem is that even where a service can provide good suggestions and encourage you to explore a genre new to you, the advice often stays the same over time. Come back a month later, after you've heard all the recommendations, and they're probably pretty much as they were.

Yet another limitation is that many kinds of recommendations tend to be better for one genre than for another—rock recommendations aren't useful for classical and vice versa. In the old hit-driven model, one size fit all. In this new model, where niches and sub-niches are abundant, there's a need for specialization. An example of this is iTunes, which, for all of its accomplishments, shows a pop-music bias that undermines its usefulness for other kinds of music.

In iTunes and services like it different genres—such as rock, jazz, or classical—are all displayed in a similar way, with the main classification scheme being "artist." But who is the "artist" for classical—the composer, the orchestra, or the conductor? Is a thirty-second sample of a concerto meaningful? In the case of jazz, you may be more inter-

ested in following the careers of the individual performers, rather than the band, which may have come together only for a single album. Or perhaps you're more interested in the year, and would like to find other music that came out at the same time. In all these cases, you're out of luck. The iTunes software won't let you sort by any of those.

These are the failures of one-size-fits-all aggregation and filtering. ITunes may be working its way down the Tail, but its emphasis on simplicity—and lowest-common-denominator metadata—forces it into a standard presentational model that can't cater effectively to every genre—and therefore, every consumer. And this is not to pick just on iTunes—the same is true for every music service out there.

Because no one kind of filter does it all, listeners tend to use many of them. You may start your exploration of new music by following a recommendation, then once it's taken you to a genre you like, you may want to switch to a genre-level top ten list or browse popular tracks. Then, when you've found a band you particularly like, you might explore bands that are like it, guided by the collaborative filters. And when you come back a week later and find that nothing's changed, you'll need another kind of filter to take you to your next stop on your exploration. That could be a playlist—catching a magic carpet ride on someone else's taste—which can take you to another genre, where you can settle in and start the process again.

NOT ALL TOP TEN LISTS ARE CREATED EQUAL

Not long ago, there were far fewer ways to find new music. Aside from personal recommendations, there were editorial reviews in magazines, perhaps the advice of a well-informed record store clerk, and the biggest of them all, radio airplay. Radio playlists, especially today, are the prime example of the best-known filter of all, the popularity list. The Top 10, 40, and 100 are the staples of the hit-driven universe, from Nielsen ratings to the *New York Times* book best-seller list. But in a Long Tail world, with so many other filters available, the weaknesses of Top 10 lists are becoming more and more clear.

There's nothing wrong with ranking by popularity—after all, that's

just another example of a "wisdom of crowds" filter—but all too often these lists lump together all sorts of niches, genres, subgenres, and categories into one unholy mess.

A case in point: blogs. As I write, Technorati lists the top ten blogs as:

1. BoingBoing: A Directory of Wonderful Things
2. Daily Kos: State of the Nation
3. Drew Curtis' FARK.com
4. Gizmodo: The Gadgets Weblog
5. Instapundit.com
6. Engadget
7. PostSecret
8. Talking Points Memo: by Joshua Micah Marshall
9. Davenetics Politics Media Musings
10. dooce

What have we learned? Well, not much. There are a couple of gadget blogs in the list, two or three political blogs, some uncategorizable sub-culture ones (BoingBoing, FARK, PostSecret), and a personal blog (dooce).

These lists are, in other words, a semi-random collection of totally disparate things.

To use an analogy, top-blog lists are akin to saying that the best-sellers in the supermarket today were:

1. DairyFresh 2% vitamin D milk
2. Hayseed Farms mixed grain bread
3. Bananas, assorted bunches
4. Crunchios cereal, large size
5. DietWhoopsy, 12-pack, cans
6. and so on . . .

Which is pointless. Nobody cares if bananas outsell soft drinks. What they care about is which soft drink outsells which *other* soft drink. Lists make sense only in context, comparing like with like within a category.

My take: This is another reminder that you have to treat niches as niches. When you look at a widely diverse three-dimensional marketplace through a one-dimensional lens, you get nonsense. It's a list, but it's a list without meaning. What matters is the rankings *within* a genre (or subgenre), not *across* genres.

Let's take this back to music. As I write, the top ten artists on Rhapsody overall are:

1. Jack Johnson
2. Eminem
3. Coldplay
4. Fall Out Boy
5. Johnny Cash
6. Nickelback
7. James Blunt
8. Green Day
9. Death Cab for Cutie
10. Kelly Clarkson

Which is, as I count it, two "adult alternative," one "crossover/hiphop," one "Brit-rock," one "emo," one "outlaw country," one "post-grunge," one "punk-pop," one "indie-rock," and one "teen beat." Does anybody care if outlaw country outsells teen beat this week or vice versa? Does this list help anyone who is drawn to any of these categories find more music they'll like? Yet the Top 10 (or Top 40, or Top 100) list is the lens through which we've looked at music culture for nearly half a century. It's mostly meaningless, but it was all we had.

Let's contrast that with a different kind of top ten list, that for the music subgenre Afro-Cuban jazz:

1. Tito Puente
2. Buena Vista Social Club
3. Cal Tjader
4. Arturo Sandoval
5. Poncho Sanchez
6. Dizzy Gillespie

  7. Perez Prado
  8. Ibrahim Ferrer
  9. Eddie Palmieri
10. Michel Camilo

Now *that's* a top ten list. It's apples-to-apples and thus useful from top to bottom. Such lists are possible because we have abundant information about consumer preference and enough space for an infinite number of top ten lists—there doesn't have to be just one. In this case Tito Puente is number one in a very niche category—a big fish in a small pond. For people into this genre, this is a big deal indeed. For those who aren't, he's simply another obscure artist and safely ignored. Tito Puente's albums don't rise to the top of the overall music charts—they're not blockbusters. But they do dominate their category, creating what writer Erick Schonfeld calls "nichebusters." Filters and recommendations work best at this scale, bringing the mainstream discovery and marketing techniques to micromarkets.

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