
Looking at the impact of Long Tail economics in Indian Entertainment Industry

What is Long Tail?

The Long Tail was first an article in Wired, then a blog and then a best-selling book. The author Chris Anderson talks about how the emerging digital entertainment economy is poised to be radically different from today's mass market.

Traditional retail economics limit stores to stocking hits only because shelf space is limited and expensive. What sells more determines what is stocked and what is available is what gets picked up by consumers. So, 'hits' and 'mass' or 'popular' choice drives the traditional retail world. However, in the new marketplace, this poor supply-demand matching is taken care of by the online retailers that can stock virtually everything and so take care of the inefficient distribution.

According to Chris Anderson, "The theory of the Long Tail is that the 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 'niches' at the 'tail' of the demand curve. In an era without the constraints of physical shelf space, narrowly-targeted goods and services can be as economically attractive as mainstream fare. Economically, the aggregate size of the many small markets in goods that individually don't sell well enough for traditional retail and broadcast distribution may rival that of 'hits'."



Demand Curve : Visual Depiction of Long Tail

Vertical Axis is Sales, Horizontal axis is Products for Sale

A few number of hits have traditionally captured the market, in terms of generating large share of revenue. Because distribution costs have historically been very high, many of the smaller products (on the right side of the distribution curve – the 'non-mass-appeal' movies or CD's) could not be accessed by the majority of people. New technology has made the products on the right side of the curve accessible to consumers. This heralds a paradigm shift from popular culture to a more individualistic taste and preference as distinctive tastes now are able to find products to their liking

accessible.

The chart above captures this shift in demand curve visually. In the old traditional economy, only the dark portion of the demand curve made it to store shelves or movie theatres. In the new world, all content is accessible, including the products in the Long Tail –niche has the same cost of stocking as a hit and potentially, better profit margins.

Impact of Long Tail on Economics (Media and Entertainment Industry)

A threefold task: a) Understand perception and imagery of our brands in the mind of rural confectionary consumer, b) Map various confectionary brands with respect to image and preference vis a vis our set of brands, c) Communication diagnostics - understand how kids processes communication and the kind of communication that works best

1. Higher growth of Long Tail industries vis a vis non-Long Tail industries
2. Company Perspective: Higher library values of old and B/C titles
3. Consumer Perspective: More choice, greater satisfaction
4. Value creation Perspective: Services (Amazon, Netflix) to filter infinite choice become valuable to consumers
5. 'Hits' continue to have value in the Long Tail world, to attract traffic

1. **Higher Growth of Long Tail Industries** Long Tail product strategies apply most readily to media and entertainment industries, and not so easily to many other industries. The Long Tail only applies if the economics of production/marketing/sales/distribution are radically improved by online distribution alternatives.

For efficiencies in the long tail economics, the new technologies that improve the economic upside of the long tail markets are most important. In the regular retail environment, product space continues to be limited and expensive. For niches to sell, the distribution mode needs to be in their favor.

2. **Economic Upside for Entertainment Companies** Long Tail changes the economics of entertainment by:
 1. Driving incremental revenue and profit from long forgotten titles, especially from B and C titles;
 2. Lowering costs of producing for niches and consuming within them;
 3. Accelerating growth of consumer spending on entertainment as broader demands are met;
 4. Raising the value of niche programming by aggregating audience globally;

5. Raising the value of hits as they attract customers that are then pushed through filtering into the Long Tail;
6. Lowering the average price of entertainment products by making cheap, old product available to consumers.

3. **Lower Economic Costs of Niches by Aggregating Small Audiences**

Aggregating audiences across a national footprint is one implication of the long tail. In the traditional economy, there is the need to find local audiences. An average movie theater will not show a film unless it can attract at least X people over a two-week run; that's essentially the rent for a screen. An average record store needs to sell certain copies of a CD per year to make it worth carrying; that's the rent for a half inch of shelf space. And so on. In each case, retailers will carry only content that can generate sufficient demand to earn its keep. Technologies that enable long tail products to be worthwhile change the entire dynamics of the game. With physical boundaries truly not there in an online transaction, niche media products do not need a strong audience in a particular market – their success is built on technology making boundaries inconsequential and assimilating small audiences dispersed across markets.

4. **The Rising Value of Filtering** becomes very important in Long Tail world where there is an overwhelming array of similar items.

At Netflix, 60% of rentals come from customer recommendations and referrals. Amazon.com uses collaborating filtering which uses the purchasing behavior of users to pull readers down the Long Tail.

5. **Raising the Value of Hits** are very important in the Long Tail world. They are needed to attract traffic and then consumers are pushed towards Long Tail products. Successful Long Tail business models require both parts of the demand curve. A business with only Long Tail product cannot survive as nobody will go the site in the first place.

In a Long Tail world, customer satisfaction goes up and total revenues increase. The Long Tail is 'pull', Broadcast is 'push'.

A great example of symbiotic nature of 'hits' and Long Tail product is Amazon's business model. Because Amazon sells used books (the Long Tail), customers come back more often which leads to more sales of new books (the 'hits').

Has the Long Tail arrived in India?

Let's look deeper into the Entertainment Industry for a better understanding of what is actually happening here.

Indian Entertainment Industry: Movies and Music

According to Chris Anderson, Indian film industry is in fact a perfect Long Tail

candidate. And the enablers here are the huge Indian Diaspora spread across the globe. Each year, Bollywood makes at least 800 films. In America alone, there are 1.7m people who are first and second generation Indians, most of who speak or understand Hindi.

Yet each year, only a handful of those films get distribution in the few US theatres that even consider showing Indian movies. Although, there is huge potential audience base here, it's too spread out to fill theatres anywhere but in a few urban Indian communities. This is the tyranny of geography at work: bricks-and-mortar distribution requires customers to be geographically concentrated, usually, which is not the case for niche goods. The alternative is corner DVD rental shops, but the ones that specialize in Indian films are mostly in urban Indian neighborhood, which still leaves much if not most of the potential market underserved. So, distribution via new technology of these films will make them profitable and so, create a new genre which earlier was considered as a 'losing battleground'.

The growing number of Bollywood movies that have started figuring in Netflix library is a testimony to a viable economy at play here for a number of traditional 'misses'. In fact quite a few of these movies do not work in India as well as they do well amongst the NRIs (Non-Resident Indians) and money is being invested to promote them in other countries where Indians reside.

User generated content and blogs have redefined 'popular critics'. Nikhat Kazmi's reviews in Times of India earlier determined whether footfalls will continue in theatres after the launch weekend of a movie, but now in many instances readers give reviews completely contrary to Mr. Kazmi's expert review and so, have redefined 'what works' in Bollywood.

Long Tail economy is supposed to work only when distribution alternatives and options are increased. With internet penetration still lagging way behind (estimated at 60 mn by Dec'07, which is just 5.3% of total population - as per Internetworldstats.com), how will Long Tail work in the Indian context? Well, mobile penetration is set to take on the role of internet in distribution to change the supply side equation in India. Mobile phone penetration is increasing at stupendous rates in India across audience groups (estimated at 246mn as of Mar'08 as per gigaom.com). Cellphones will be the harbinger of the new economy in the Indian marketplace.

Let's look at the music industry data to see what is at play here.

'variety' in online music in India than mobile music but the mobile industry is ripe and waiting for record label owners to wake up and tap the significant market in mobile

music. Since the depth is greater in online music, it is easier to see the Long Tail visible here. **As per some remarkable facts on online music:**

- The top 40 selling tracks (all Hindi/Bollywood) only account for 15 per cent of sales; non-top 40 is 85 per cent — totally dominated by the Bollywood catalogue
- The top 40 selling tracks comprise approximately 60 per cent current releases (*Gangster*, *Bluffmaster*, *Murder*, etc.) and 40 per cent is older or evergreen catalogue.
- Outside the top 40, the 85 per cent is spread over 8,000 tracks with a significant percentage of sold in single digits. It is almost entirely catalogue with little international content.
- In contrast to the singles, 50 per cent of the top 40 albums were international (by contrast not one top 40 single was international) and 35 per cent of non-top 40 albums were international — catalogue again (Elvis, Toto, John Denver, Classical, Louis Armstrong, Jim Reeves, etc.) This does not hold for the singles that are Hindi dominated. One hypothesis is that many of these are not readily available in stores.

The 'shape' of the Indian online tail shows that the top 40 selling tracks do not necessarily sell very high volumes - very different from physical retail where sales are concentrated on the 'hits' - and the better the search engines and recommendation engines, the deeper consumers can go into the catalogue.

The Mobile music world is at present significantly smaller than online music (estimated to be one-fourth). Since availability of variety is an issue here, the 'hits' syndrome dominates in mobile world. Once supply side dynamics are more pro-consumer giving him more choices, the equation is bound to follow the Long Tail trend as is visible in online music.

But what about Indian Television? Though the movies and the music world seem well poised for Long Tail, the picture is bleak in the Indian Television industry. The depth of saas-bahu drama is amazing with all mass entertainment channels rehashing the same old stories. Even the attempt by some channels to capture niche audiences, such as Star One had to be given up in favor of becoming a mass channel with very 'predictable' programmed line up. But there is still some hope here. On orkut.com, there is a community dedicated to fans of an old DD serial 'Byomkesh Bakshi' and on special requests, DD started re-airing the serial. Also, on "youtube", past episodes of 'Fauji' (Shahrukh Khan's small screen debut serial) receive a large number of hits. The Long Tail seems to be finally emerging in television in the form of video clips and nostalgia content.

The Indian Entertainment industry is definitely geared to brace the new economics of the Long Tail world - the consumer is sure to benefit from the changing supply side dynamics that will be able to cater to 'individualistic tastes' instead of forcing the 'popular' choice amongst all.

Source:

- The Long Tail: Chris Anderson
- 'The Long Tail' for Indian Music – Sudhanshu Sarronwala (Business World)
- The 'Long Tail' Drives Entertainment Industry Growth – Soleil Media Team