From Niches to Riches: Anatomy of the Long Tail

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Abstract:
Dozens of markets of all types are in the early stages of a revolution as the Internet and related
technologies vastly expand the variety of products that can be produced, promoted and
purchased. Although this revolution is based on a simple set of economic and technological
drivers, the authors argue that its implications are far-reaching for managers, consumers and the
economy as a whole. This article looks at what has been dubbed the "Long Tail" phenomenon,
examining how customers derive value from an important characteristic of Internet markets: the
ability of online merchants to help consumers locate, evaluate and purchase a far wider range of
products than they can typically buy via the traditional brick-and-mortar channels.

The article examines the Long Tail from both the supply side and the demand side and identifies
several key drivers. On the supply side, the authors point out how e-tailers' expanded, centralized
warehousing allows for more offerings, thus making it possible for them to cater to more varied
tastes. On the demand side, tools such as search engines, recommender software and sampling
tools are allowing customers to find products outside of their geographic area. The authors also
look toward the future to discuss second order amplified effects of Long Tail, including the growth
of markets serving smaller niches.

Keywords: Product Variety, The Long Tail, Search Costs, Recommender Systems, Strategy

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