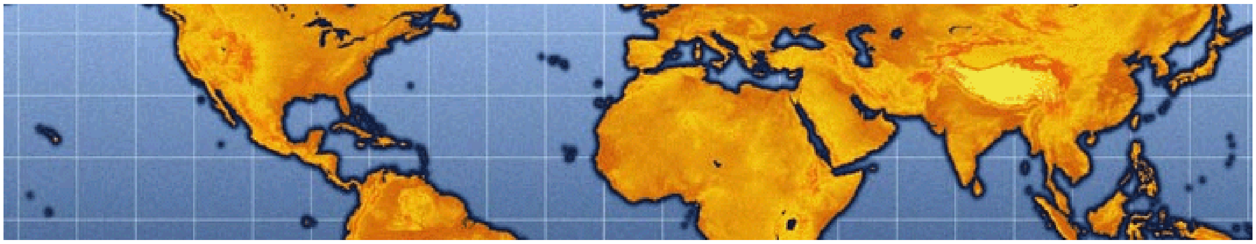

An Interview with

Chris Anderson
Wired Magazine

on
Building, Broadening, and Energizing Audiences for the Musical Arts

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GBN Global Business Network
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About Chris Anderson

Chris Anderson is editor-in-chief of *Wired Magazine* and author of “The Long Tail,” which first appeared in *Wired* in October 2004 and will become a book, published by Hyperion, in early 2006. Prior to taking over *Wired* in mid-2001, Chris was with *The Economist* for seven years in London, Hong Kong and New York in various positions, ranging from Technology Editor to US Business Editor. His academic background is in physics, and he did research at Los Alamos before entering the magazine business, spending six years at the two leading scientific journals, *Nature* and *Science*.

The theory of the Long Tail, which was the main topic of this interview, is, according to Chris, “that our culture and 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 a huge number of niches in the tail.” The article and the forthcoming book are about the larger consequences of this. For more background, a good starting point at Chris’s blog is www.thelongtail.com/about.html.

This interview was conducted by Andrew Blau of GBN.

> The comments below have been edited for clarity from a transcript of the interview. Some material has been condensed from the original or reordered for presentation here.
>
> This interview is for the exclusive use of participants at Music & Media.

GBN: How did you come to what you do now, and what got you thinking about the "Long Tail"?

Anderson: I came to *Wired* four years ago, where the main job is to trend-spot—to articulate what's big and important and why. I use economics as the language to test trends for importance. In the course of doing this, I talked to a lot of people who are very data-driven—it's kind of a throwback to my science background.

I was talking to people about the statistical profiles of the digital entertainment businesses, of which music was the most advanced. It was at the beginning of 2004 when I first stumbled across the observation, which is being seen across online businesses, that these infinite shelf space models tended to have "long tail" distributions.

GBN: Which means…

Anderson: The distribution or popularity of products or titles can be described on a graph by a curve that has a "head"—the popular stuff— and a "tail" with everything else. You can define the tail any way you want. The way I typically define this is where traditional retail runs out of shelf space. The percentage of products that are in the tail is something like ten times the amount that is in the head. In other words, there's more stuff out there that doesn't make it on the shelf than does.

As you had five, six, ten years of the Amazons, and then later the iTunes and Netflixs of the world, data sets were building up big enough that you could see that the sales down there in the tail were in the thousands. While you didn't notice them against the overwhelming signal at the head, each one was selling in the thousands—not the hundreds of thousands or the millions, but in the thousands—and there were so many of them that in the aggregate they were adding up to a big business. That's broadly how we got to this.

GBN: The article you wrote as result ("The Long Tail," *Wired*, October 2004) seems to have struck a chord that really resonates with people in a lot of fields right now. It also seems to me though, that it's misread as often as it's read, maybe more. What are the key points of the argument, and what do you think are the parts of the argument that are most often misunderstood?

Anderson: The key point of the argument, as I see it, is simply this: As you lower the economic cost of bringing products to market, the number of products you can bring to market increases. It's really simply that. If you can lower the cost of offering products and offer more of them, as you offer more of them, you reveal demand that had not been seen before. In other words, there was latent demand for niches that has been obscured by the economic constraints of traditional retail.

The ways that it is misunderstood? Part of this is my own doing. A lot of people think that I'm arguing for the end of hits and the end of the unequal relationship between the head and the tail. Not at all! As a matter of fact, power laws, which describe these kind of exponential fall-offs, are absolutely intrinsic to all markets. And the long tail is, in fact, a power law. What changes are two things: First of all, the relative shape of the curve can change. It can be a flatter power-law. So, in other words, the hits are not *so much* more popular than the tails as they are in traditional retail. And that, secondarily, because the tail is so long, the aggregate size of it becomes significant proportionate to the market. So people think that I'm arguing for the end of a kind of a hit/niche division, but that continues; they're just not as radically different in size.

Another problem is that a lot of people have figured it's the end of the 80/20 rule. Again, this is probably a problem of my own creation, but people misunderstand the 80/20 rule. The 80/20 rule says that 20 percent of the products account for 80 percent of the sales. (This is, of course, the natural outgrowth of power laws.) I argued, not that the 80/20 rule was going away, but that the conclusions we draw from the 80/20 rule—that you should only offer the 20, because that represents 80 percent of the sales— change. Instead, you should offer both. Even though 80 percent may still only represent 20 percent of the sales, that's 20 percent that you weren't getting otherwise and because the marginal costs are near zero in these new markets, you should toss them all out there.

Another way it's misunderstood is that it is a rationalization for poor-selling products everywhere. It's like saying, "My product doesn't sell, but thanks to the Long Tail, it's hot stuff."

The Long Tail arguments work from more than one perspective. From a merchant's or an aggregator's perspective, what this says is not that you should just offer niche stuff and it will be a success, but that you can offer niche stuff *in addition* to more popular stuff. And that if you get your economics of distribution down far enough, that you can find that offering both sides of the curve is a profitable strategy. It not only taps latent demand that wasn't tapped otherwise, but you can drive demand from one to the other quite easily with things like recommendations.

From a producer's perspective, what it says is that you now have access to the market. Even if you're not necessarily going to be a popular artist, because the aggregators are following the economic model I just described, there is now a place for even incredibly narrow niche products. Selling just a few copies of a song in an economic model where the marginal costs are zero still has some value, ranging from satisfaction of just being in the marketplace to recognizing that sales are not the only way to measure the value of getting out there.

GBN: The need for both head *and* tail seems to me to be often overlooked when people talk about your description of the Long Tail. What I took away from your article was that it's the combination of head and tail that makes it work.

Anderson: Right. The argument for head and tail is that basically the recommendations in search and other things that drive demand down into niches, tend to start from a known place and take you to the unknown place. That's why you need the head. It's a kind of a common starting point. And you need traction to be able to move with confidence down into niches.

GBN: Let's assume that the observations made in *The Long Tail* hold true for the foreseeable future. What do you think the implications of that are for the music business generally and the world outside of pop music specifically?

Anderson: The progression over the last 50 years has been to a more and more hit-driven business. The shrinking playlists on radio. The shrinking shelf space as the big box retailers drove out the independents. The increasing inequality between the marketing power of the big stars and everybody else.

Then came MP3 and Napster and all the rest of that. Then you had a kind of a two-tier world. You had an increasingly narrow commercial world of Wal-Marts and Clear Channel and rock radio stations going off the air (with the exception of Clear Channel ones) at a rapid pace. So you had shrinking playlists and shrinking availability on the commercial side, and this hugely expanding availability on the messy, non-commercial underground economy with MP3's. What you saw was a generation basically just turn their back on the first in favor of the second.

Initially, before the music discovery mechanisms really kicked in, there weren't a lot of good ways to discover new bands. And so it was largely pirating of the bands that were already popular—it was just a shift in the business. But as what is basically the infinite jukebox becomes available on-line with iTunes and the rest, and better and better recommendation services, that same mechanism that gave people access to music for free became a mechanism for discovering new music, and tastes began to broaden rapidly.

If you look at the sort of change in taste over time, you're seeing that the curve, as I describe it, is flattening. Just to use the Rhapsody example, in, say, about two years, half the music demand is going to be stuff that isn't available in Wal-Mart. In a year it's gone from 23 percent to about 30 percent.

GBN: So you're saying that a couple of years ago, 23 percent of what was selling on Rhapsody were things that were not available through the main traditional retailers.

Anderson: Yes, and that now it's almost a third, and it looks like it's approaching half. What that suggests to me is that that's what people actually want when you're looking at a mature market with mature behavior patterns and the early adopter biases are out of it. You're actually recognizing that the distributed demand for artists who weren't popular enough to justify the rent of a half inch of shelf space in Wal-Mart, which was considered to be negligible and insignificant, in fact is every bit as big as the market for the hits. It's just that it's spread over many, many more artists.

GBN: What will that mean for what we think it means to be successful?

Anderson: Let's say the Wal-Mart shelf represents about 3,000 artists, and the non-Wal-Mart shelf represents about, let's say 300,000 artists, a hundred-to-one ratio. So, half the business is in one percent of the artists and the other half of the business is 99 percent of the artists. Success for the one percent goes without saying. What does it mean to be successful for the other 99 percent of artists? Obviously, it's a huge range. Very few of them will be able to quit their day jobs. A lot of people may have gigs and 50 people show up, and that's great! That's their success. Do they make money? No. But they're not doing it for the money. They're doing it because it's great fun to play for a crowd.

Most people will find non-monetary compensations. Some of those—the touring bands—they make money off the performance rather than the recording. It's a tiny minority, but that's a perfectly reasonable success mode.

GBN: And are there things that people can do now to prepare for a different model of success? We all grew up in an era where our understanding of success was shaped by what it meant to be successful in mass media terms. That means we built our institutions to aim at that, and that means they have cost structures that are built around that. But what could people do now to prepare for different ways of understanding success?

Anderson: Well, it depends who those people are. Right now, if you're a creator, it's a net positive. The audience-finding tools, or audience-finding services have never been better.

There's MySpace, which is this extraordinary phenomenon for up and coming bands where you basically put up the music for free and you establish the fans on-line and you benefit from this largely in buzz and attendance at your shows. Then there is the CD Baby phenomenon where, if you self–publish your music, you can send it to CD Baby and CD Baby gets it on Amazon and gets it on iTunes. So now, basically everybody has access to the tools of distribution that were once reserved for the labels, themselves. That's all good.

From a distributor perspective it depends: If you're a radio station, that's one avenue. If you're a label, that's another. If you're a retailer, that's another.

GBN: Let's look at radio, since they're our hosts here.

Anderson: The Long Tail is predicated on technological resetting of the economics of distribution. If you're a radio station, this is a problem, because the economics of radio are what they always have been, but the competition is getting much, much worse for music radio. Between iPods and cell phones and satellites, *et cetera*, it's very hard to see a case for terrestrial broadcast music as a growth industry.

If the core competence of the music radio station is not broadcasting signals over the air, but, instead, curating an audience and curating a kind of music, I sense that that skill translates very neatly into other forms of distribution. Now, you have to be at the right place at the right time to listen to something. But once you take time and space out of the equation, it's quite liberating.

Apart from that, though, I don't get music radio at all. I don't see any point, because there's no temporal quality to it, no need for *now*. With talk radio and news radio, the immediacy is its virtue, and that's the one thing that broadcast does well: it does immediacy well.

But music? It seems to me it has all the disadvantages of limited shelf space without any of the advantages. People who are really into music won't be satisfied by music radio. There is no playlist small enough or focused enough to aggregate a large enough audience. So the people really into music are clearly going to go to the kind of iPod or personalized playlist route.

The economics of radio require mass audiences. You can skew the economics with things like public radio and foundation grants, but basically the economics of radio is one size fits all. And we're entering the end of the "one size fits all" era and into one in which everyone wants custom ones. You can try to make narrow playlists, but basically, you've still got to aggregate a large enough audience or else it doesn't make sense. I think that the forces, the trends, of our culture are steering away from music radio so rapidly that I don't see a solution. I mean you've got a world of people who are not satisfied with somebody else's playlist anymore; not satisfied with Top 40; the Top100; the Top 400. I mean there's no number they're satisfied with. That may have always been the case, but they didn't have alternatives. Now they do.

Plus, once you settle on a piece of music, it suddenly becomes polarizing. It's like the way I turn off Garrison Keillor every time one of his bluegrass bands is coming on. I love Garrison Keillor. I hate his taste in music. He loses me every time the band comes on. This is the thing about music: it's polarizing. A polarizing culture with a mass media distribution model is a conflict that only the lack of alternatives has allowed to stand for so long.

GBN: What do you mean when you say music is polarizing? Don't people also connect through their musical tastes? Isn't music the basis for all kinds of groupings and tribes?

Anderson: If people have one choice, they will be sort of sufficiently satisfied with one choice. You offer them two, they'll choose between them. If you offer them millions, their interests will spread over those millions.

I think that you're asking a question about whether the natural shape of culture is to coalesce or to fragment. And, you know, what's interesting is that you actually have both. What you do is you sort of fragment and then coalesce around different dimensions. You end up with sort of a tribal culture within music, but this will be different than your sports culture; then it'll be different than your model rocketry culture. I call this the massively parallel culture.

GBN: That reminds me of something I was struck by when I did the work on the future of independent media a few years ago. We've been hearing about the fragmentation of audiences for 20 years. What we've heard a lot less about is that they fragment and then they recombine, and they recombine in multiple, overlapping, ad hoc ways.

But that creates an interface problem between organizations and audiences, because organizations are persistent and audiences may not be. So the fluidity that is now attributed to our ability to combine and disperse is not synched up with the nature of the organizations that have been set up to serve audiences.

Anderson: Well, what this tells you is that you need to be agnostic. I make music. I'm not going to guess or presume, ahead of time, how someone else wants to consume it. I will distribute across every possible channel. I will try to make my economics such that I can distribute across every possible channel and let people figure out how they want to consume it.

GBN: We've focused mostly on the production/distribution side. What about audiences? Are there complementary skills or technologies or accessories that audiences need to be better served in this environment?

Anderson: You mean aside from a computer and Internet connection?

GBN: Yes. You've already said that the Long Tail is an order of magnitude larger than the head. That's a lot of stuff to wade through.

Anderson: Some of the most interesting work in search and recommendations is being done in music. The big lesson of Long Tail is that one size doesn't fit all. That's true for filters, as well. There is no one technique that works for everything and everybody.

Just to list some of them: You start with lists and edited "best of" or highlights in various categories. Then you have taxonomies, splitting into different genres. And then you have collaborative filtering: people who liked X liked Y. Then you have individual playlists. Then you have randomly generated radio stations, where a mix of related music is introduced based on your listening patterns. Then you have recommendations that work on the basis of not just what people like, but the nature of the music—vocals or acoustic high hat and things like that— and draw qualitative connections between music. It goes on and on. Each one of these is effective, and some of them are effective at the micro level but not the macro level. Some of them are effective at different times. Once you've used, say, collaborative filtering to discover new music and then it doesn't change, something like playlists would carry you over to a new genre that you would be discovering from the collective voice of the collaborative filter to the individual voice, the person who created the playlist. And then you've got things like the MP3 blogs and fan sites, and the whole MySpace phenomenon is a different kind of filter. It's incredibly diverse.

The range of these things, that all are sort of attempting to do what Google does in search: find stuff in the infinite variety that's out there.

GBN: One of the issues in music and information of all kinds is that more is not always better. What more is better for is allowing people to meet their needs more finely. But having more without being able to meet your needs isn't an improvement.

Anderson: This is the signal-to-noise case I make. That, basically, as there is more stuff in the tail, including more stuff you don't want you need a more powerful filter to be able to keep the signal at a useable level. What's amazing, really, is not that there are limitations to this model, but that it actually works so well.

GBN: Assuming that the observations you're making on the Long Tail describe a moment we're in, what happens next? What disruptions would you expect?

Anderson: Right now, we've got the emergence of almost infinite variety and the recognition that there was a lot of latent demand for that variety that wasn't being tapped. As a result, we've seen a shift in the markets. What this ends up doing is undermining the traditional institutions, the traditional markets. You're seeing it most dramatically in the music industry, but, you know, television is right on the verge of not being able to deal with the fragmentation of its markets and a lost generation of people who are increasingly going to more interactive media.

As the business model of the labels collapses, something else will rise in its place. It may be that you'll have a new generation of labels with much lower cost economics. MySpace is starting a music label. That's a case of bottom-up talent discovery rather than top-down. The marketplace finds the hits and then MySpace, the label, releases them, rather than the label releasing the music and then hoping it can market its way into actually becoming a hit. This is what I call post-filtering, rather than pre-filtering. You can see a rise of labels who benefit from the kind of "wisdom of crowd" economics that's a kind of "get the stuff out there first." In other words, get a sense of what's working and then build upon it.

In television, it's going to be very interesting to watch. If the rise of Google-model advertising will come primarily at the cost of television—and one doesn't know that to be the case, but it seems logical that it might be measurable results versus non-measurable ones—then television is going to have to find a different business model. Not for all of its content, but for some of it. And whatever it is, they're going to be dealing with smaller numbers. So somehow it's got to find a way to pay for itself with smaller audiences. That's a structural change. Whether the existing industry can do it or whether a new industry is going to emerge that can do it remains to be seen.

Also, I think performance is going to be one of the great beneficiaries of the Long Tail in the following way.

What the Long Tail does is it resparks (or creates the spark of) a passion, an interest, in very specific things. Everyone has a niche in some part of their life— they may not know it yet, because they haven't had an opportunity to discover that niche and discover just how deep that niche goes. I think that as the tools of discovery become more and more powerful, each one of us going to find some passion somewhere. And the thing about a passion is that you have almost infinite appetite for it—you're willing to go as deep as it goes. So I think that we're going to have a much broader distribution of cultural interests.

So many of these artists are actually giving away their music in hopes that they will generate an audience for performance, which is kind of a micro-economy. And what's great about it is that performance scales in a way that recorded music doesn't. That is to say, it's fun for the performers; it can't be pirated; it can't be substituted for in other ways. Because performance is the experiential consumption of music, it's significantly different from the recorded one. And digital economics doesn't compete with performance; in fact, it complements it.

GBN: Is there anything that you could imagine that people should look for that signals the emergence of something after the Long Tail? A world where the Long Tail no longer holds?

Anderson: Well, I'm a big believer in Darwinian mechanics. I think populations and markets tend to fall into a normal distribution. A normal distribution is that you have a quite wide amount of variety, niches all filled, and the popularity is determined through the usual network effects.

We have an abnormal distribution right now. From a biological perspective, we have kind of a monoculture of culture, as it were, because we've got this kind of artificial culling of the niche species. That artificial culling is because of the inefficient economics of distribution. As those economics become much more efficient, then all these niche species get to fill all the little ecological niches and you have kind of a naturally wide distribution of variety.

I think variety is completely innate to all systems, markets, evolution. Power laws are incredibly common in the world. Earthquake magnitudes distribute in power laws; grains of sand in a pile are distributed by power laws. It appears to be one of the innate forces of nature.

So if you believe, as I do, that power laws are innate to nature and the Long Tail is basically a power law undistorted by scarcity effects, I don't know what could stop that. I mean, will we have new bottlenecks coming forward? Congressional acts that screw up these markets could stop it. But if you consider the Long Tail as being not the end of hits and the rise of the tail, but a rebalancing or a return to a normal distribution of those markets, then that seems to be the way the world's going.

GBN: A new steady state?

Anderson: I think so. Of course, institutions and incumbents will continue to throw up barriers. The primary barrier right now has been the economics of shelf space and distribution. As those economics improve and that barrier falls, the next barrier discovered is the economics of rights clearance and the legal costs. As solutions come up, we'll find new barriers.

But what's interesting about each one of those barriers is that they're further down the tail. Distribution economics took us from 3,000 titles to 3 million titles. Rights clearance will take us from 3 million to 13 million. And so on. So each barrier is further down the tail, and it doesn't actually create new problems that make us revert to a previous state.

GBN: The audience for this interview are leaders of organizations that broadcast or support or present music. What do you think they ought to be paying more attention these days and what do you think people in the music business are too concerned about?

Anderson: The Long Tail thesis is about tapping distributed demand. The traditional distribution mechanisms require geographically concentrated demand—I need 10,000 people in this urban setting, or I need thousands of people to walk in the door of this store—but most demand is not geographically concentrated. Most demand is distributed. The great thing about digital economics is that it scales very neatly to distributed demand. A thousand people scattered in a thousand towns are every bit as good as a thousand people in one town. That's great, because most markets are, in fact, a thousand people in a thousand towns. So this is good news in the sense that that there are now ways to tap distributed demand. There are ways to aggregate communities in a way that's non-geographic or physically less proximate.

So what should they bring more attention to? They should bring more attention what's getting traction in demand generation. What are the influences? Who are the new taste-makers out there in their sphere?   We know who the old taste-makers were. They were those who commanded the power of distribution and creation, the labels and the retailers. There's obviously marketing, which is an expensive form of taste-making, and then there are the people like radio DJ's and such. But who are the new taste-makers and how do you tell?

The answer is there's no single one. It's not as simple as this DJ goes away and this MP3 blogger takes their place. You live with probabilistic, statistical taste-making: it is this collection of a thousand blogs; it is the power users on iTunes; it is the people who write reviews on Amazon. How do you influence them?   Sadly, it's not as simple as sending out a press release with a different address. Generally, you influence them by direct engagement, by giving them stuff that they like and giving them a kind of privileged access to that. Basically, it's a classic community relations issue. I think the role of demand creation has gone from one of top-down marketing to bottoms-up community management.

And who is this community? What do they value? The only way to find out is to strip off and dive in and swim around in there and be a member of the community so you can get a sense of what's important to them.

GBN: What about things to stop obsessing about or to let go of?

Anderson: It's very easy to exaggerate the size and the speed of this transition. Traditional marketing still works. It just is working less and less. And the delta between the cost of traditional marketing and the costs of non-traditional, grass-roots marketing is becoming more and more obvious. So it's really a migration. How do you migrate from the world that still works, but it's working a little bit less well each year, to a radically different market that's just starting to emerge?

What I suggest is that people try to do a tiered approach: they try to spin off a version of their company that's built on the economics of this new market. You see some of the labels do this with their digital-only labels. If a band has already established itself as relatively popular by either giving away the music for free, you can sign them to the label at virtually no cost. The music's already recorded; they don't need an advance; you don't give any marketing; all you're basically doing is letting them use the name Warner or Universal, and somewhat easing their passage into a traditional retail store. The cost of signing a band is very, very small. One might argue the benefits to that band being signed are not great and may not be worth the royalties that they give up, but, still it's an interesting experiment in taking what's good about the old world, which is whatever power there is in the name "Universal" or "Warner" and scaling down to the economics of the new world, where, basically, no memos, no brown M&Ms, no advances, that sort of thing.

GBN: But what do you think the organizational structure is going to look like that emerges that's actually native to this land, rather than adapted from the world we know?

Anderson: The general rule I've got as you try to build a business model for this world is try to make one that's one-tenth the cost structure of the existing one. How could you build a business that's one-tenth the cost structure of your existing one? Harness peer production. Let the community do the work. Just do it cheap.

Think about MySpace musically. The MySpace record label basically outsources the A&R function; outsources the advance function; outsources the recording function; outsources the marketing function. They're not outsourcing to India, but outsourcing to their own users. (If India is cheap competing with expensive, peer production is free competing with cheap.) The MySpace model is a fantastic model because it's a complete win/win. The community is doing what it wants to do because it's motivated by passion, and all MySpace is doing is just tapping this kind of latent energy and using it to substitute for the professional role that was previously an expensive job done within the labels themselves.

So, a general rule of thumb: One-tenth. And if you bring the economics down, you can be much more expansive in how you see your purview. The act of trying to screen things and decide what's going to be good and what's not going to be good is not just expensive, but it's also costly in the sense that you're missing stuff. You're guessing, and if you don't have to guess—instead, if you can measure—the effectiveness goes way up.

GBN: I wonder in closing whether there's anything else you want to add or any sort of observations about music and the future.

Anderson: My bet is that people want more variety, not less. But they want variety that's organized in a way that makes sense to them. So simply throwing lots of variety at them doesn't do it. The Internet in its early years was a baffling mélange of random stuff. And then, magically Google arose to bring order to the chaos. That's kind of where we are right now. We're in this new world as two orders of magnitude more variety opens up. We're not really prepared. We don't have behavioral models or, at least, those of us who haven't grown up in that, don't have the behavioral models to really navigate it well. I think there's a huge opportunity for people to do what Google did, but do it to entertainment content, culture, as a whole. We've only just scratched the surface of doing that.

And lastly, it's such good news! It's got to be a challenging time for radio, but I think for the artists involved and the more innovative members of the community, they're going to find that ten years from now, it's going to be a much, much better world.