A quick test of your pop-culture knowledge: How many of the twenty-five best-selling albums in American history can you name, and what proportion of them were recorded in this century?

If your first thought was Michael Jackson and your second was seventies guitar bands, you should do pretty well with the first part of the question. The most popular album of all time is the Eagles’ “Greatest Hits, 1971-1975,” which has sold about twenty-nine million copies in the United States since its release, in 1976. The No. 2 album is Jackson’s “Thriller,” which has sold twenty-seven million copies since 1982. Next on the list are albums by Led Zeppelin, Pink Floyd, AC / DC, and Billy Joel.

The second part of the question is a little trickier: none of the top-twenty-five albums were released after 2000. Indeed, only three recent albums make the Recording Industry Association of America’s top-one-hundred list: Shania Twain’s “Up!” and Norah Jones’s “Come Away with Me,” from 2002; and OutKast’s 2003 double album, “Speakerboxxx / The Love Below.” Not one album released in the past three years has made the list.

What are we to make of this, other than to point out that it must have something to do with online file-sharing and iPods? A lot, according to Chris Anderson, a business journalist who formerly worked at The Economist and now edits Wired. In his new book, “The Long Tail: Why the Future of Business Is Selling Less of More” (Hyperion; $24.95), Anderson argues that we are witnessing the decline of the blockbuster. The “emerging digital entertainment economy is going to be radically different from today’s mass market,” he writes. “If the twentieth-century entertainment industry was about hits, the twenty-first will be equally about niches.”

Anderson’s inspiration for writing “The Long Tail,” which grew out of a story in the October, 2004, issue of Wired, was a visit he paid to a digital jukebox company called Ecast. In business, it’s often said that twenty per cent of the products generate about eighty per cent of the revenue. This version of the so-called 80 / 20 rule might suggest that most of a retailer’s inventory—in the case of Ecast, about ten thousand albums ready to download—is worthless. But when Anderson spoke with Ecast’s chief executive he found that ninety-eight per cent of the albums in the library sold at least one track every three months. “And because these were just bits in a database that cost nearly nothing to store and deliver,” Anderson writes, “all these onesthes and twosies started to add up.”

Anderson began to suspect that he was onto something. Another online music retailer, Rhapsody, which has a library of about 1.5 million songs, provided him with monthly sales statistics that he presents in a series of graphs, with the horizontal axis showing songs ranked by popularity and the vertical axis showing the number of times each one was downloaded. In a typical month, each of the top thousand tracks, which appear on the extreme left of the graph, was downloaded more than ten...
thousand times. But these hits represented less than one-hundredth of one per cent of Rhapsody’s vast catalogue. What about the other 1,499,000 songs? Anderson writes:

What’s extraordinary is that virtually every single one of those tracks will sell. From the perspective of a store like Wal-Mart, the music industry stops at less than 60,000 tracks. However, for online retailers like Rhapsody the market is seemingly never-ending. Not only is every one of Rhapsody’s top 60,000 tracks streamed at least once each month, but the same is true for its top 100,000, top 200,000, and top 400,000—even its top 600,000, top 900,000, and beyond. As fast as Rhapsody adds tracks to its library, those songs find an audience, even if it’s just a handful of people every month, somewhere in the world.

This is the Long Tail.

Once you’ve seen one long tail, you start seeing them everywhere. Netflix, a DVD-rental company that allows its customers to order films online and receive them in the mail, has a library of more than sixty thousand titles. At Blockbuster stores, ninety per cent of the movies rented are new releases; at Netflix, about seventy per cent are from the back catalogue, and many of them are documentaries, art-house movies, and other little-known films that might never have had theatrical release. “The lesson is that what we thought was a naturally sharp drop-off in demand for movies after a certain point was actually just an artifact of the traditional costs of offering them,” Anderson notes. “Netflix changed the economics of offering niches, and, in doing so, reshaped our understanding about what people actually want to watch.”

Both eBay and Google turn out, in Anderson’s account, to be long-tail businesses, too. On any given day, about thirty million individual items are bought and sold on eBay, many of them cheap and obscure. Barely a decade after Pierre Omidyar founded eBay, more than seven hundred thousand Americans report it as their primary or secondary source of income, according to a study by the market-research firm AC Nielsen. For Google, the long tail is populated by small advertisers. Major corporations pay to get their ads placed next to the results of popular search terms, such as “luxury S.U.V.s” and “flat-screen televisions.” But much of Google’s annual revenue, which now exceeds five billion dollars, comes from tiny companies whose ads appear next to queries like “Victorian jewelry” and “Hudson Valley inns.”

Even an industry as old-school as book publishing exhibits long-tail behavior. In 2004, Nielsen BookScan tracked the sales of 1.2 million books and found that nine hundred and fifty thousand of them sold fewer than ninety-nine copies. And yet these scattered individual purchases add up to a surprisingly large market, especially at online booksellers. At Amazon.com, for example, about a quarter of all book sales come from outside the site’s top-one-hundred-thousand best-sellers. “What’s truly amazing about the Long Tail is the sheer size of it,” Anderson writes. “Again, if you combine enough of the non-hits, you’ve actually established a market that rivals the hits.”

The forces behind the long tail are largely technological: cheap computer hardware, which reduces the cost of making and storing information products; ubiquitous broadband, which cuts the cost of distribution; and elaborate “filters,” such as search engines, blogs, and online reviews, which help to match supply and demand. “Think of each of these three forces as representing a new set of opportunities in the emerging Long Tail marketplace,” Anderson suggests. “The democratized tools of production are leading to a huge increase in the number of producers. Hyperefficient digital economies are leading to new markets and marketplaces. And finally, the ability to tap the distributed intelligence of millions of consumers to match people with the stuff that suits them best is leading to the rise of all sorts of new recommendation and marketing methods, essentially serving as the new tastemakers.”

Among the “tastemakers” Anderson cites are Daily Candy, which sends e-mails telling fashionable women what to buy and wear, and Boing Boing, a technology blog that is read by geeks the world
over. “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’),” Anderson writes. “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.”

All this is snappily argued and thought-provoking, if not quite as original as Anderson’s publishers would have us believe. Back in 1980, another futurologist, Alvin Toffler, anticipated the “de-
massifying” of society in his best-selling book “The Third Wave” (Bantam; $7.99), which is still in
print. “The Second Wave Society is industrial and based on mass production, mass distribution, mass
consumption, mass education, mass media, mass recreation and entertainment,” Toffler said in a 1999
interview. But no longer: “The era of mass society is over. . . . No more mass production. No more
mass consumption. . . . No more mass entertainment.”

Not only did Toffler, writing a decade before the advent of the World Wide Web, recognize
information as the basic resource of the modern economy; he also discussed concepts like knowledge
workers, customization, peer production, and several other “big-think” concepts that are still providing
stories for magazines like Wired, Fast Company, Business 2.0, and, indeed, The New Yorker. The
Internet has accelerated the trends that Toffler identified, but that’s not news, either. In 1998, Kevin
Kelly, a technology writer who also worked for Wired, published a book called “New Rules for the
New Economy,” in which he described the emerging order thus: “Niche production, niche
consumption, niche diversion, niche education. Niche World.”

The real novelty of Anderson’s book is not his thesis but its representation in the form of a neat,
readily grasped picture: the long-tail curve. For decades, economists and scientists have been using
this graph, which is formally known as a power-law distribution, to describe things like the
distribution of wealth or the relative size of cities. By applying the long tail to the online world,
Anderson brings intellectual order to what often looks like pointless activity. The teen-ager who spends
his weekends updating a blog that nobody reads and shooting silly videos to post on YouTube.com?
He is, as Anderson’s chapter on “The New Producers” tells us, a valiant citizen of the long tail.

The least convincing part of Anderson’s book is his treatment of what he calls “the short head,” the
part of the curve where popular products reside. Although he acknowledges that best-selling books and
blockbuster movies won’t vanish overnight, he suggests that demand for them will gradually decline:
“the primary effect of the long tail is to shift our taste towards niches.”

Is this what we’re seeing? In the film industry, more movies are being produced than ever before, but
seven of the ten all-time top-grossing films worldwide have come out since 2000: three “Lord of the
Rings” movies, three “Harry Potter” movies, and “Shrek 2.” It’s true that over-all attendance at movie
theatres has been slipping, but the biggest films are still doing well, as was demonstrated recently by
“The Da Vinci Code” and “X-Men: The Last Stand,” both of which enjoyed highly successful opening
weekends despite tepid reviews. Four of the top-selling novels ever published—the works of J. K.
Rowling and Dan Brown—have appeared since 2000, too.

The music industry, on which Anderson bases much of his argument, may be a special case. Album
rock reached its peak in the late nineteen-seventies, and, with the rise of genres such as hip-hop,
house, and grunge, the music market had begun splintering well before the Web arrived. File-sharing
and the iPod accelerated this trend, but this hasn’t eroded the demand for the most popular songs: if
illegal downloads are included in the “sales figures,” the over-all demand for songs by supergroups like U2 and the Rolling Stones may be greater than ever.

A widening of choices doesn’t necessarily lead to cultural fragmentation and a defection from mainstream fare; sometimes it has the opposite effect, as befuddled consumers congregate around the same things. To be sure, some curious individuals will rent Japanese anime and science documentaries from Netflix, but far more people will turn up for the fifth “Harry Potter” film and “Shrek 3,” because they’ll want to see the movies that everybody’s talking about. Big-time movie releases aren’t merely stories and images on a screen; they’re news events—a fact that Hollywood studio executives have long recognized. Sony’s “The Da Vinci Code” was a good illustration. By the time the movie came out, it had received so much publicity that millions of people wanted to feel part of a social event, whatever the reviewers had to say.

It’s the same for books and popular music: the more copies a thriller or a pop song sells, the more likely you are to pick it up to see what all the fuss is about. Even in the online era, to be human is to follow the herd. Far from undermining this “network effect,” the Internet strengthens it by providing instant communication and feedback. In a recent online study conducted by researchers at Columbia, participants were allowed to download free songs from a list of unsigned bands. When they were informed about the preferences of their peers, the popular songs got more popular—and the unpopular songs got more unpopular. Blockbusters and niche products will continue to coexist, because they’re flip sides of the same phenomenon, something economists call “increasing returns,” whereby the big get bigger and the rest fight for the scraps. A long-tail world doesn’t threaten the whales or the minnows; it threatens those who cater to the neglected middle, such as writers of “mid-list” fiction and producers of adult dramas.

There’s another blind spot in Anderson’s analysis. The long tail has meant that online commerce is being dominated by just a few businesses—mega-sites that can house those long tails. Even as Anderson speaks of plenitude and proliferation, you’ll notice that he keeps returning for his examples to a handful of sites—iTunes, eBay, Amazon, Netflix, MySpace. The successful long-tail aggregators can pretty much be counted on the fingers of one hand. Although the online economy has existed for only a decade, businesses like these—and you can add Google and Yahoo—have already established seemingly impregnable positions. If you’re a typical Internet user, when you need to find information you go to Google; when you’re looking for a book or a CD, you go to Amazon; when you want a new golf club, you go to eBay; when you want to download a song, you go to iTunes.

There’s an ugly name for industries that are controlled by three or four big firms: oligopolies. A few decades ago, these lumbering creatures were easy to spot. In the skies, cosseted airlines like American, United, and Delta charged passengers a small fortune for the privilege of flying; in broadcast television, ABC, CBS, and NBC dictated what viewers could watch. Today, thanks to globalization, deregulation, and technological progress, many of the twentieth-century industrial behemoths have fallen by the wayside. But don’t assume that giant, exploitative firms are a thing of the past.

In recent years, eBay has sharply increased its commission rates; Amazon has admitted charging its customers different prices for the same goods; and Apple Computer has stubbornly refused to make its iTunes service compatible with portable music players other than iPods. Has the New Economy really moved past the familiar “winner take all” dynamic? That depends on whether you’re looking at the long tail—or at who’s wagging it.