

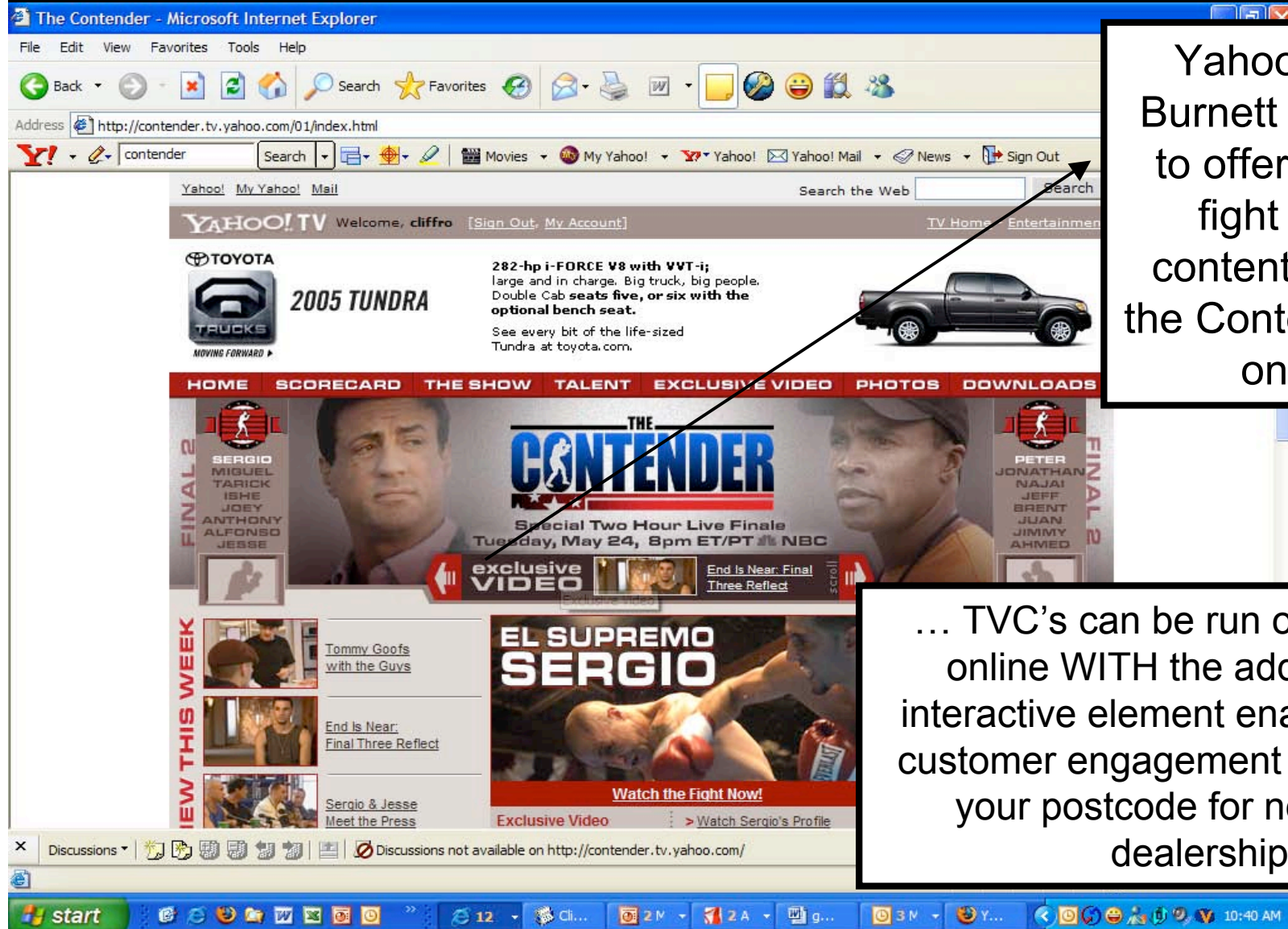
A short tale about a long tail



Been asked...

- Changing media landscape - direction & opportunities
- Where does the explosion in user generated content leave media producers?
- How do you actively involve an audiences?
- Marketing and distribution in emerging media
- When to give it away for free and when to guard IP
- A framework for ongoing content development

Why TV, Internet and other media work together?



Yahoo! & Mark Burnett teamed up to offer exclusive fight footage content on Y! For the Contender show on NBC

... TVC's can be run or adapted to online WITH the addition of an interactive element enabling deeper customer engagement ! (eg: type in your postcode for nearest car dealership)

The simple truths

- Marketing has never been easier
- Customers have never been more predictable
- The numbers have never been more transparent
- Directionally, opportunities has never been more predictable
- Management is harder

Scarcity v's Abundance

- Abundance boom created by technology
- The physical world is the world of scarcity. Now, with online distribution and retail, we are entering a world of abundance. And the differences are profound.

best business models

- Waste the era's cheapest resources in order to conserve the era's most expensive resources.
- When steam became cheaper than horses, the smartest businesses used steam and spared horses.
- Today the cheapest resources are network based communications power, computation, the cost of storage and bandwidth. All are getting cheaper at the pace of Moore's Law.
- New customer acquisition cost is the lowest its ever been because the needs are more tightly define and better served granularly

5 rules in a networked economy

- Rule 1: Make everything available**
- Rule 2: Cut the price in half. Now lower it.**
- Rule 3: Help me find it**
- Rule 4: Help me share it and make it simple so I can look smart**
- Rule 5: Money is in the lifetime relationship and the network that comes with it.**

24 years and younger:

- 39.1% say the Internet is the primary way they listen to music - and another 9.3% say it will be in the future
- 31.2% say the Internet is the primary way they play games - and 11.6% say it will be in the future
- 53.3% say they use the Internet to watch movies and other video programming, v. 27.6% of all other age groups
- 76.5% say they listen to music over the Internet
- 65.4% say they play Internet games

Difference between time & \$

- Today (2005) about 5 ~10% of user time online is spent searching, yet about 40-60% of online media dollars are spent on search keyword buying.
- The ability to reduce risk, simplify buying, and provide a measurable ROI (new customers, sales, results) have attracted marketing dollars

Every click is a survey

- Testing online is immediate, can quickly eliminate low or no-profit efforts.
- Technology and software enable a host of ways to create, quantify, and measure ‘pockets of profit’ that more blunt tools could not find.
- Marketers are becoming addicted to pay for performance because the risk is removed.

Everything has changed...again

- the Internet has changed the laws of distribution and the rules of the market.
- The barriers of time and geography are down, so is the cost of storage.
- The limitless shelf space of online commerce and the availability of powerful search engines
- free or cheap publishing and communication tools (email, groups, message boards, instant messenger, groups, and weblogs) create new economic, social, and cultural opportunities and new freedom of choice.

Permission Media is about ME

- Today's permission-based, multichannel marketing is all about satisfying multiple, self-referencing subcultures with distinct value propositions -- the more tightly matched to the niche, the better.
- What was once

"Attention Headache Sufferers ..."

is now

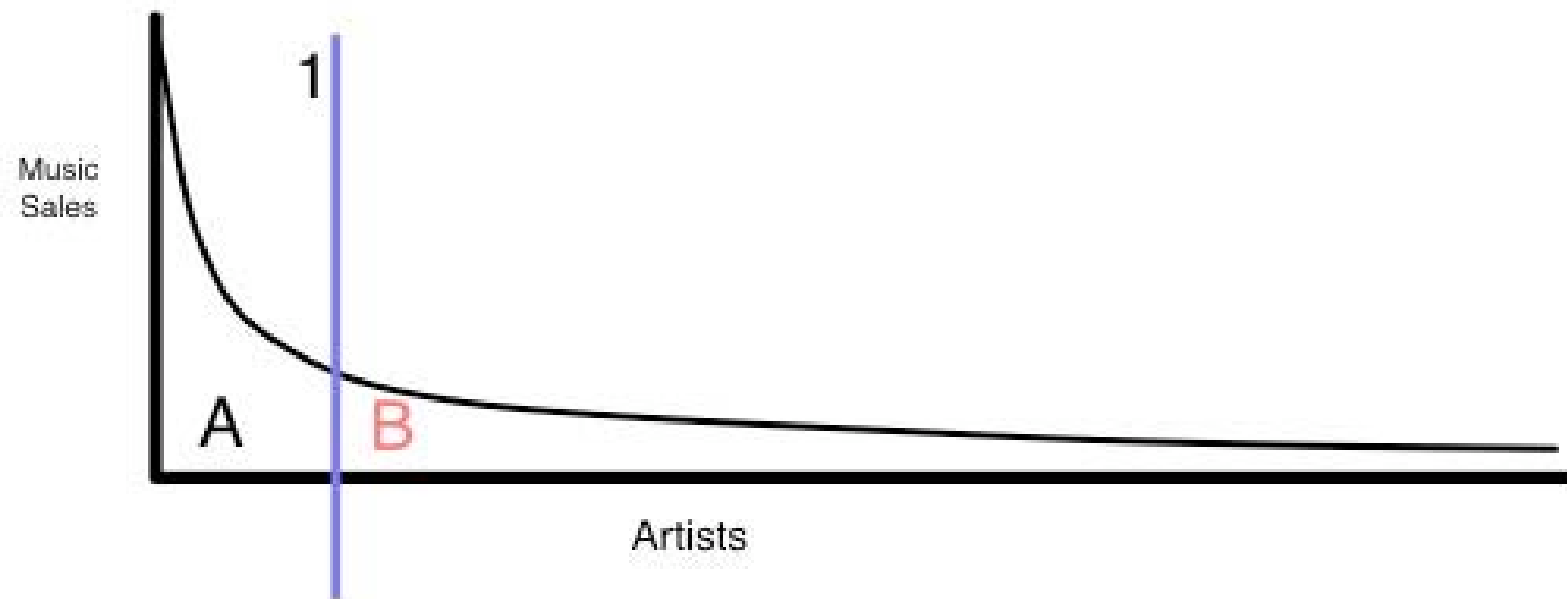
"hey Shirley – aren't you're a Young Mother with a Migraine?"

The Long Tail

- Forget squeezing millions from a few megahits at the top of the charts.
- The future of entertainment is in the millions of niche markets at the shallow end of the bitstream.

The 80/20 rule is being obliterated

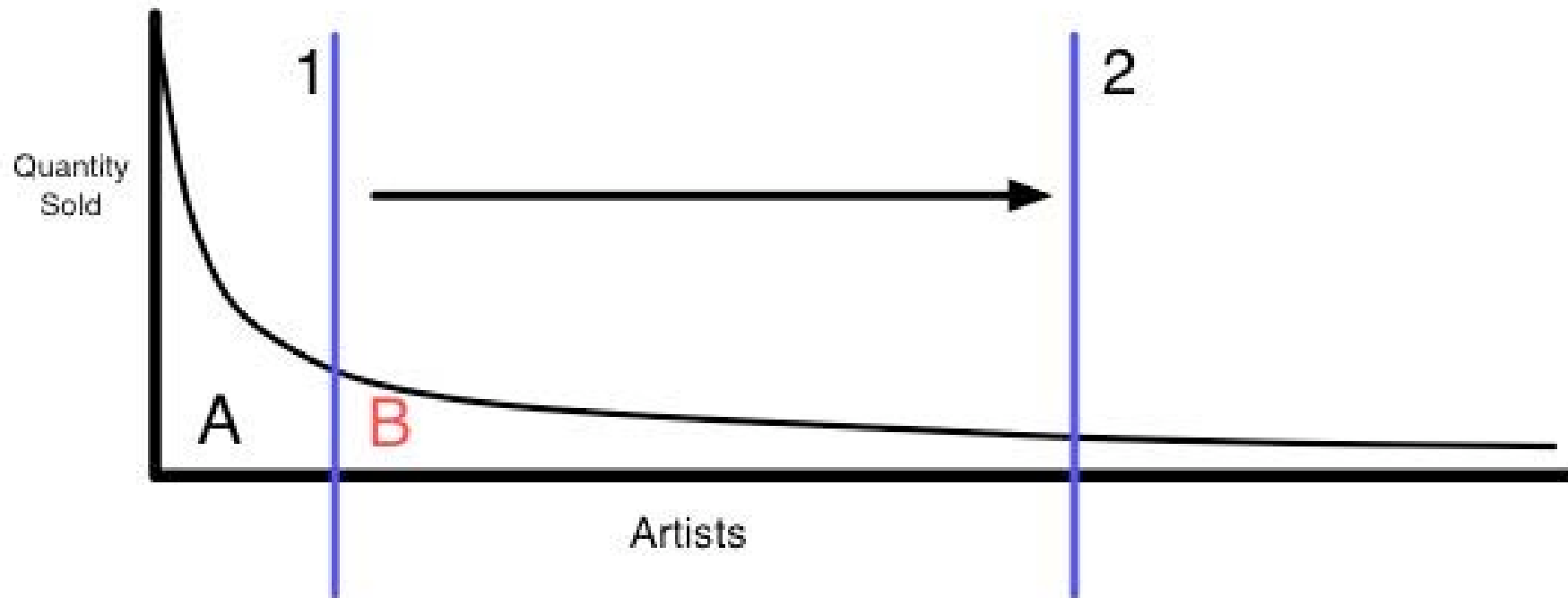
Long Tails



Area [A] Represents bands making a profit for band and label. They have active support from the music labels.

Area [B] Represents bands who have not been signed to major labels or who are not being actively supported by the label. They are "looking for their audience".

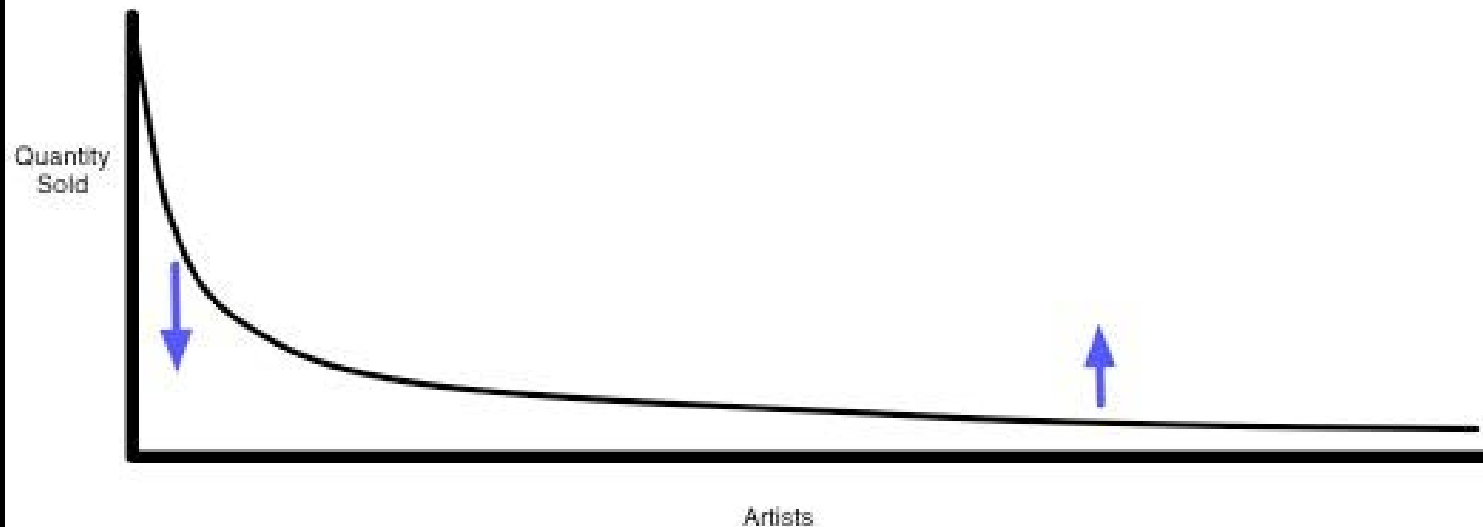
Economic Viability



Area [A] Represents economically viable bands that could support a label's involvement. The Internet with near zero cost of distribution moves the economic viability to the right.

The long tail wags us all..

Long Tail Movement



The availability of high-quality and inexpensive recording tools and advent digital distribution is affecting the curve in two ways:

1. Increases sales for the mid and lower market artists.
2. Decreases sales and influence of label Superstars.

- Yes, people read the DaVinci Code because everyone else is. Yes, people watch The Apprentice for the very same reason. But no, this effect isn't as pervasive as most of us would believe.
- 3% of the searches were about the same handful of things... and that the other 97% were all spread out.

80:20 rule is dead

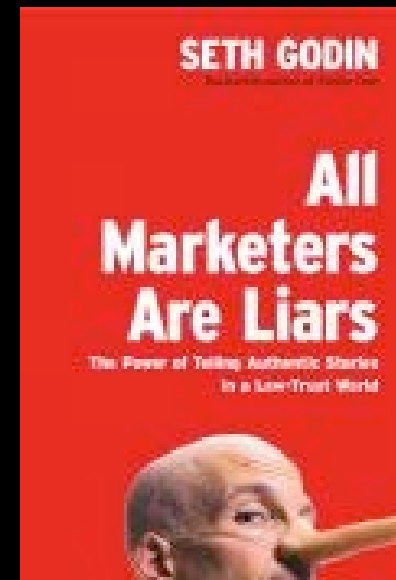
- "The biggest money is in the smallest sales."
- What's really amazing about the Long Tail is the sheer size of it. Combine enough non-hits on the Long Tail and you've got a market bigger than the hits.

Big money in small sales

- most successful businesses on the Internet are about aggregating the Long Tail in one way or another.
- Google, makes most of its money off small advertisers (the long tail of advertising)
- eBay is mostly tail as well - niche and one-off products.
- By overcoming the limitations of geography and scale, just as Rhapsody and Amazon have, Google and eBay have discovered new markets and expanded existing ones.

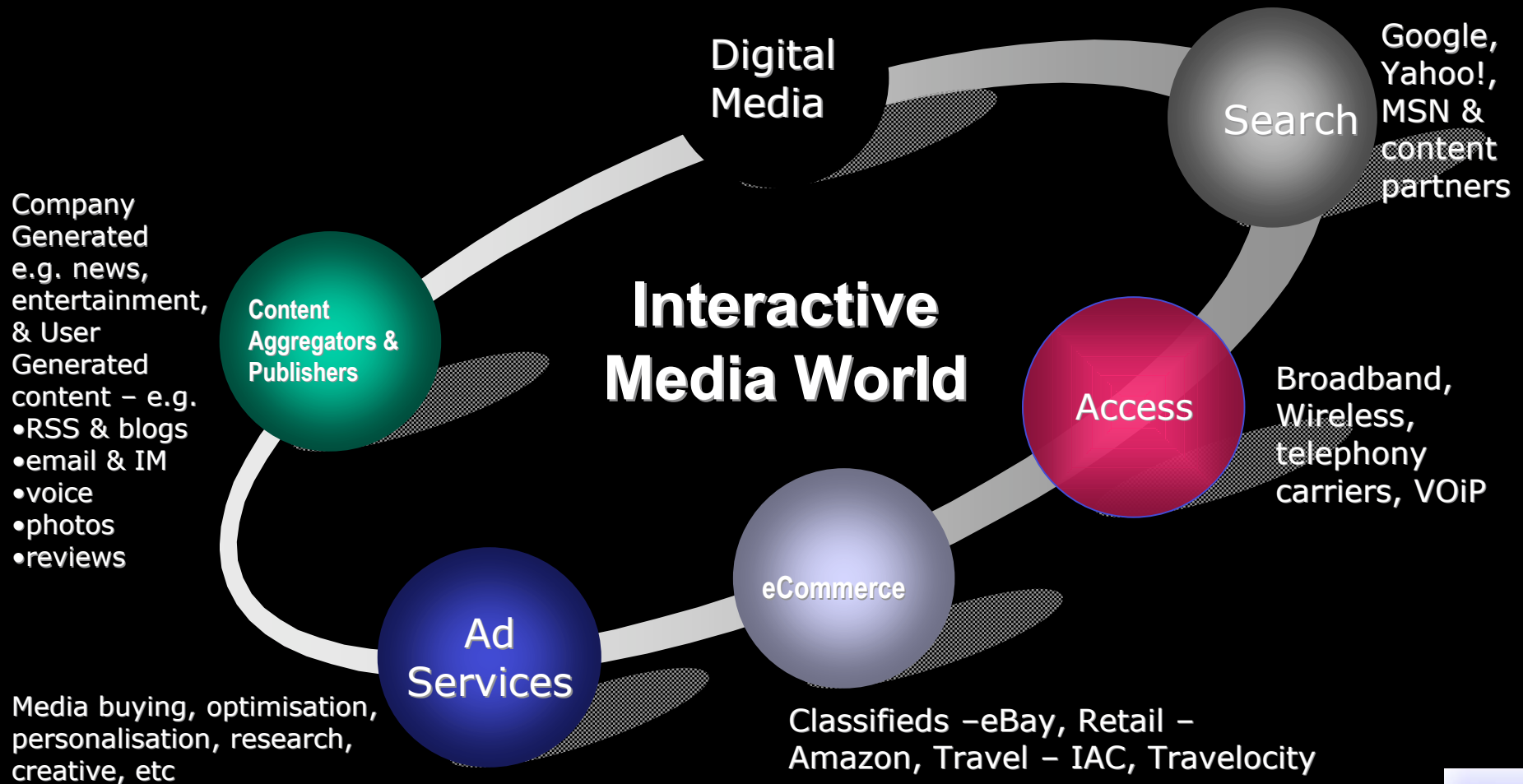
- "Give people 1,000 channels to watch, and they won't all watch the same thing. Give people 1,000,000 books to read, and they won't all want to read a bestseller."

Seth Godin



internet ecosystem

Music, video & games



October 11th 2005

Commercial in Confidence
Santa Clara Group

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