

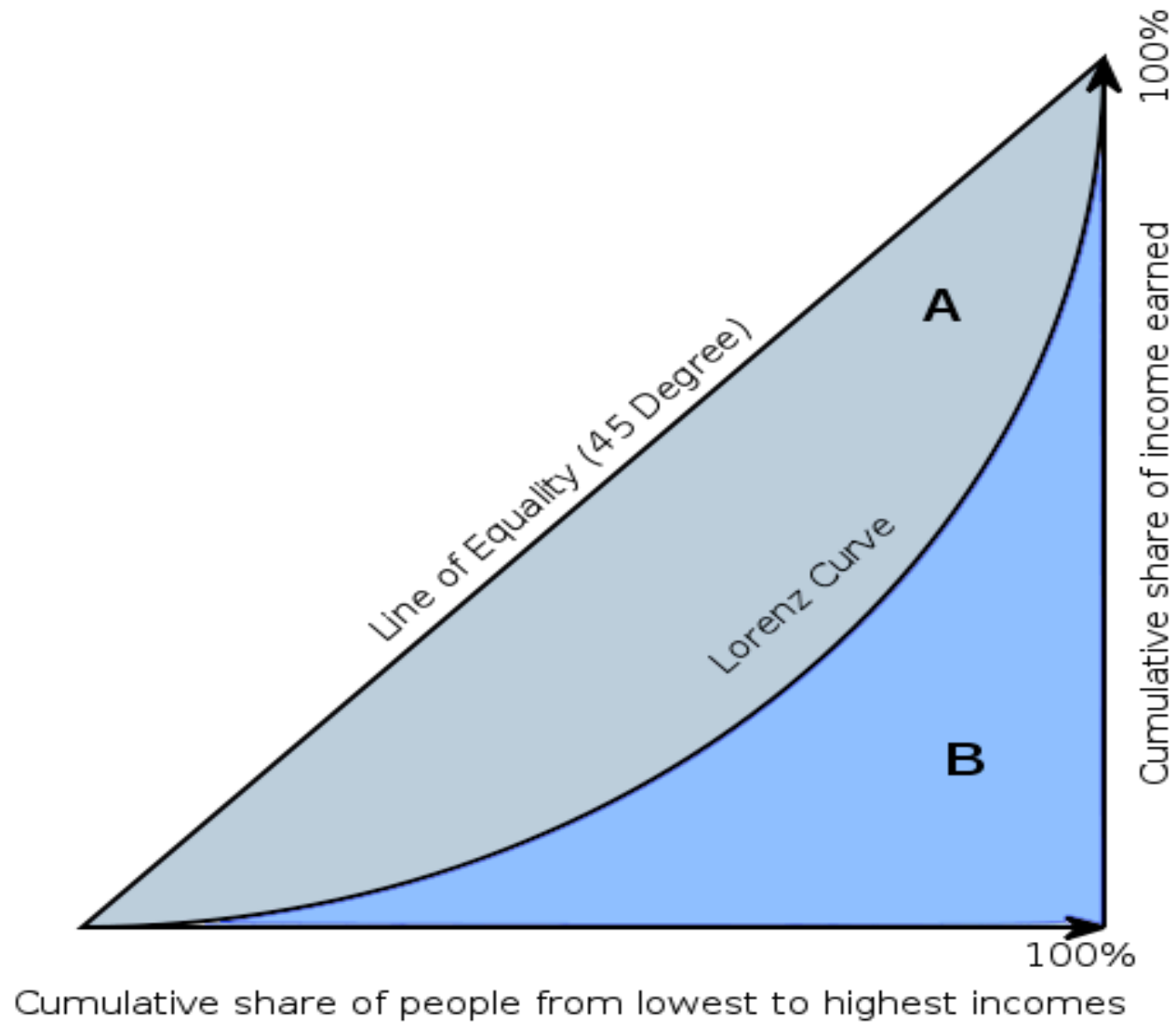
Go To Market Strategies: Week 7

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- Disentangling the supply side (larger product availability) from the demand side (easier for consumers to find and sample new products)
- MIT study obtained data from a retailer offering *identical* product selection and prices through two different channels: Internet and catalog
- Descriptive evidence is that Internet sales are significantly *less* concentrated (even after controlling for differences in customers and supply side factors such as taxes and shipping)

$$G = A / (A + B) [.49 \text{ v } .53]$$



- The results hold up when differences in the customer groups are controlled for too (Internet customers are younger, have more income)
- The Internet channel has more evenly distributed sales and the difference *cannot* be attributed to differences in price or availability
- Unit sales of “niche” products: 14.8% v 12.7%
- \$ sales of “niche” products: 15.0% v 12.7%
- (Differences are statistically significant)

- The question is now whether there is a demand side explanation, e.g., customer use of search tools on the Internet
- Key variables to explain sales of niche products:
 - *Directed search* 
 - *Non-directed search*
 - *Recommendation system*
- All computed as percentages in terms of page views e.g., $\text{Directed Search Views} / \text{Total Views}$

Participating Firms

○ www.netgrocer.com

Netgrocer
.com



○ www.diapers.com

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.com

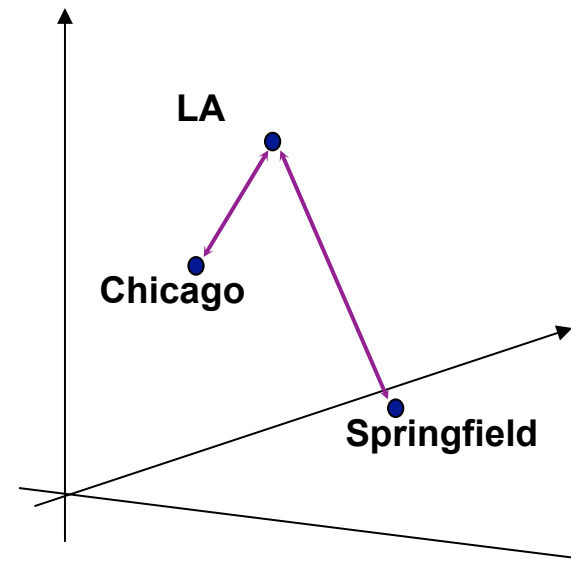
○ www.warbyparker.com

WARBY PARKER

○ www.bonobos.com

BONOBOS

Geographic and “Demographic” Neighbors



- Law of *natural monopoly* (hits get disproportionate share of light users)
- Law of *double jeopardy* (unfamiliar things are less well liked)
- But the Long Tail is still a *very* powerful concept!
- Million Short <http://tcn.ch/SPIJ9B>
- More Anderson
[http://www.ted.com/talks/
chris_anderson_of_wired_on_tech_s_long_tail.h
tml](http://www.ted.com/talks/chris_anderson_of_wired_on_tech_s_long_tail.html)