

## Welcome to IF Consulting's weekly e-mail newsletter

February 18, 2005

Our regular email tackles the topical issues that surround all marketing channels and their underlying strategies.

### Digital age drives new economic model

Is there a new economic model emerging for the media and entertainment industries? The digital age has brought with it the offer of "unlimited selection"; consumers are revealing what they want and how they want to get it, hence the popularity of new services from DVDs at Netflix to music videos on Yahoo! Launch to songs in the iTunes Music Store and Rhapsody. Instead of choosing from the limited "popular" selection offered at physical stores such as Blockbuster Video, Tower Records, and Barnes & Noble, customers can now delve deep into the catalog, down the long, long list of available titles.

Until now, marketing, a lack of alternatives and a hit-driven culture have led to a 'lowest common denominator' market within the entertainment industry. The limited offers of preppy summer blockbusters and manufactured pop have been the result of a poor match between supply and demand, caused by inefficient distribution.

Hit-driven economics emerged as a result of lack of room; there was simply not enough shelf space for all the CDs, DVDs, and games produced, not enough screens to show all available movies, not enough channels to broadcast all TV programs, not enough radio waves to play all the music created, and not enough time to distribute everything via these channels. The traditional economic model is based on scarcity, whereas online distribution and retail assumes a world of abundance.

Another reason for looking towards a new economic model in this industry is that the 80/20 rule no longer applies. Within the world of digital distribution, a 'miss' costs as much as a 'hit' to store and make available – digital suppliers are finding there is plenty of demand for 'The Long Tail', or the 80% of products that normally wouldn't make it to a physical store.

[http://www.wired.com/wired/archive/12.10/tail\\_pr.html](http://www.wired.com/wired/archive/12.10/tail_pr.html)

### IF Comment

This article shines light on the "Long Tail" phenomenon. Has the Net rendered obsolete the redoubtable '80/20 Rule,' that 20 percent of products generate 80 percent of revenue? The examples the article provides are found in areas like books, music and movies.

It is true that many online vendors make substantial revenue from low-turnover items and also that dot-com exemplars Amazon and eBay have returned several consecutive highly profitable quarters. Certainly it becomes easier to achieve as larger audiences (both retail and business customers) go online. Can the 'Long Tail' work in more mundane product areas? It would be interesting to learn whether online vendors such as GE's PolymerLand, which stocks over 30,000 specialty plastics and resins, have similar experience.



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## Snippets

Intel, the world's largest chipmaker, is trying to rebuild credibility with mobile phone producers having experienced a number of less than successful cellular ventures. For the last two years, Intel has tried to wow the lucrative cellular market with new phones and innovative ideas, only to fail when it came time to deliver. Now, Intel's new approach involves adopting a policy of listening to its consumers.

[http://www.businessweek.com/technology/content/feb2005/tc20050216\\_1244\\_tc024.htm](http://www.businessweek.com/technology/content/feb2005/tc20050216_1244_tc024.htm)

With the recent departure of Hewlett Packard's chairman and CEO, the company's channel partners are putting pressure on the HP board to find a channel-friendly replacement for the outgoing Carly Fiorina. Timothy Joyce, president and CEO of Roundstone, an HP channel partner believes that the company needs to come up with someone who's been in a similar situation and can demonstrate they can get the job done.

<http://www.crn.com/sections/coverstory/coverstory.jhtml;jsessionid=VI4Z1QZTRCIQQSNDBCCKH0CJUMKJVN?articleId=60400293>

In an attempt to expand its presence in the convenience store sector, the UK based supermarket group Somerfield revealed yesterday it is in talks to acquire 140 Texaco petrol stations.

<http://news.independent.co.uk/business/news/story.jsp?story=611792>

## Share the Knowledge

If you have colleagues who would be interested in receiving our weekly email please forward this e-mail to them.

IF Consulting publishes "Our View", a quarterly review of topical marketing channel issues. Samples are available on our website. To receive "Our View", please return this email with your address details.

To unsubscribe, please reply with "unsubscribe" AND a copy of the email address to be removed.

IF Consulting is a leading international marketing channel strategy consulting firm with over 30 years experience in a vast number of industry sectors. See our website for further information.

<http://www.i-f.com>