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How to become a small biz web whiz.

Glenn Nicholas explains how the long tail concept, combined with business blogging, can drive small business growth.

Since the 90s, small business has been learning about the internet. Today owners and operators have a pretty good awareness of how the internet can be used for marketing, including email websites and e-commerce.

But around 2004, the concept of the 'long tail' came into view, and blogging started to go mainstream. The combination of the long tail and blogging is great for small businesses with a unique point of difference that are on the lookout for growth and new customers. A blog for your business can be a potent – and surprisingly cost-effective – online tool for acquiring new prospects and converting them to customers.

WHAT IS THE LONG TAIL?

The long tail concept helps explain the extraordinary impact the internet is having on business as a whole – and small business in particular. The long tail first appeared as an article in *Wired* in October 2004. Chris Anderson, the author, has since published a book of the same name that has achieved bestseller status. The



Source: www.thelongtail.com © Chris Anderson

core concept of the long tail is very simple. For many products, if you create a graph of products against popularity, you see a curve like the one shown in the graph (below left).

The red section, or 'head', represents the 'hits' – products with lots of buyers. The yellow section is the 'tail', which represents products with relatively small numbers of buyers. While these might on one level be viewed as the 'misses', the aggregate size of the market in the tail rivals the market represented by the hits. Chris Anderson's article and book provide more evidence and explain the concept in greater detail. Both are fascinating and very persuasive (if you need more convincing).

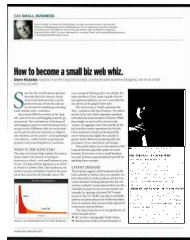
This article zeroes in on a few aspects of the long tail that are especially useful for small business. If you own or run a small business, you may find new opportunities for growth by applying these concepts.

LATENT DEMAND

The long tail suggests small businesses should look carefully at whether they can capitalise on latent demand for niche products and services. Latent demand (existing demand that has not yet been realised) is encountered when you dramatically increase the size of your market. For example, by opening a national DVD rental service in the US, Netflix was able to profitably address the latent demand for Bollywood films from an audience that was too thinly spread for mainstream cinema releases.

The long tail points us to the significance of latent demand where:

- the 'tyranny of geography' limits choice
- limited choice leads to latent demand, or



- ◆ latent demand can be addressed by small business using the internet.

THE TYRANNY OF GEOGRAPHY

The long tail introduces the concept of the 'tyranny of geography'. As physical retail stores are bound by geography, they rely on the local population for their customers. But physical distribution and storage of products comes with associated costs. So physical stores only carry products that serve the local population, limiting the choice of the consumer.

LIMITED CHOICE AND LATENT DEMAND

If local demand for a product is spread too thinly, the product won't be offered and the demand remains latent. Or put another way, an audience thinly spread is the same as no audience at all (as seen in the Bollywood example). Physical retail stores can stock a wider range if they have a larger local market. We can see this in the difference between physical superstores in major population centres compared to

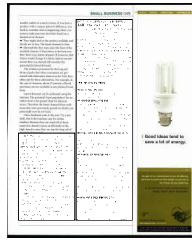
smaller outlets in country towns. If you have a product with a unique point of difference, you need to consider what is happening when consumers make purchase decisions based on a limited set of choices:

- ◆ They might look at the options available, and decide not to buy. The latent demand is clear.
- ◆ Alternatively, they may select the best of the available choices. If that choice is the best one, then there is no latent demand. If, however, that choice would change if a better option was presented then you should still consider the potential for latent demand.

The evidence presented by the long tail shows clearly that when consumers are presented with alternative choices to the 'hits', they often opt for those alternatives. For example, in the case of Amazon, about 25 percent of book purchases are not available at any physical book store.

Latent demand can be addressed using the internet. The potential 'local population' for an online store is far greater than for physical stores. Therefore the latent demand from audiences that were previously spread too thinly can potentially now be serviced.

Chris Anderson puts it this way: "In a nutshell, that is the business case for online retailers. Because they can reach all of those many low-density towns as efficiently as the high-density ones, they can tap the long tail of distributed demand."



With the advent of online superstores, we have seen that range has indeed increased in response to the increase in market size. For example, as Anderson points out, a Borders book superstore might typically carry 100,000 titles, whereas Amazon carries over 3.7 million book titles. In the case of a 'superstore' like eBay, the variance of items stocked compared to a physical superstore is higher still.

In the Netflix example (for Bollywood DVDs), an online business clearly addresses a much larger market than a traditional geographic market. And small business has not been slow to engage in marketplaces such as eBay, where the gross value of goods sold has grown to US\$44 billion in just over 10 years.

Evidence from the long tail shows that there is strong (and growing) demand for niche products from the tail. While larger companies do (and more will) address the tail, the competitive landscape is very different when small businesses with highly differentiated, niche products are involved.

IMPLICATIONS OF THE LONG TAIL FOR SMALL BUSINESS

Small businesses operating on the internet have learned that opening up choice is a profitable thing to do. Consumers are buying from outside the head, moving deeper into the tail. Sometimes it is a replacement sale, and sometimes it's a new sale. Chris Anderson argues that the growth is in the tail, and that the head is experiencing a decline.

The internet has changed the small business landscape because of the size of the market that can now be addressed, and the latent demand this exposes. So what are the opportunity areas relevant to your business? Here are some questions that may help you decide:

OPPORTUNITY AREA

Questions to ask yourself

◆ SELLING ONLINE

Are your products or services available for sale online in Australia? If not, should they be?

◆ MARKETING ONLINE

If they are being sold online, are your products or services being effectively marketed online? Can new niche audiences find you? You don't have to actually sell online to benefit from long tail opportunities. If you can't sell your products online, are there opportunities to market online – perhaps to find latent demand in niche export markets?

◆ EXISTING PRODUCTS, NEW NICHES

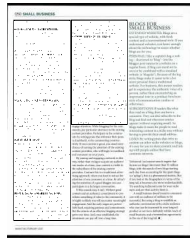
Are there profitable niche markets for your existing products and services you are not addressing? Would expanding your addressable market for your existing products find new, profitable niches?

◆ SERVICES FOR NICHES

Services on the web are still in their infancy. If you are a service provider, can you offer online services to niches that have not been well-served? In Australia? Overseas? Can't offer your service online? What would you need to modify so you can offer your service over the internet? How could you specialise and just deliver a part of your service online? What latent demand exists in niches for existing or new online services? In Australia? Overseas?

◆ KNOWLEDGE PRODUCTS

Can you convert aspects of your products, services or knowledge base into a niche knowledge product where there is latent demand? Could you make this knowledge available online through training products or e-books? Or can you use your knowledge to



educate others and interest them in your mainstream products?

◆ **LESS GENERIC, MORE SPECIFIC**

Looking at your existing product or service, how could you make them less generic and more specific so they become relevant for niche markets where latent demand exists?

When you are conducting your assessment, consider that the barriers to e-commerce have dropped substantially. If you looked at e-commerce in the past and costs were an issue, you may want to reassess. Running your own e-commerce site is a much easier option these days.

Also consider options such as eBay and free hosted stores (with a simple commission on sales). Testing for latent demand is easier when start-up costs are minimal. You can always modify your approach later when you find a successful niche. Considerable assistance for exporters is also available through Austrade.

SMALL BUSINESS BLOGGING

If you have identified long tail opportunities, you are by now probably very interested in how to connect up to online niche audiences. And small business blogging is an excellent tool for this purpose. Websites have been available as a marketing tool for small business for well over a decade. And, on one level, blogs are just an extension of websites. But understanding how blogs can be used by small business requires a more detailed look.

WHAT ARE BLOGS?

Blogging means a lot of things to a lot of people. If you think it's some kind of self-expression 'dear diary' only-for-geeks sort of thing, don't be fooled. Many people use blogs as a personal diary, and blog about highly personal matters. Lots of people will continue to use blogs for this purpose.

But this type of blogging has nothing to do with small business marketing. The nature of a

small business blog can make it a highly effective online marketing tool for niche audiences. Business blogging has a purpose, and you can (and should) measure its costs and benefits compared to other marketing tools.

BLOGGING AS A MARKETING TOOL

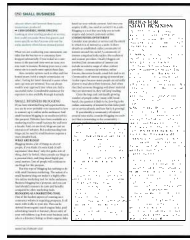
One of the hardest aspects of running an e-commerce website is acquiring prospects. It all starts with traffic to your site. This can be derived from organic search engine links, paid advertising (search or banner), direct entry of your web address (e.g. from your business card, ads or a directory listing) or from organic links based on your website content. And once you acquire traffic, you need to convert it to a sale. Blogging is a tool that can help you to both acquire and convert customers online.

COMMUNITIES OF INTEREST

Consider your product or service and the extent to which it is of interest to a niche. Is there already an established online community of interest around this niche? A community of interest comprises both readers (the audience) and content providers. Usually bloggers are involved, but communities of interest can include an eclectic range of other content providers – commercial websites, online forums, discussion boards, email lists and so on. Communities of interest spring up around particular topics because many people are naturally drawn to read about their interests. And when they find someone blogging well about material they are interested in, they will keep reading.

Given the large and continually growing number of people online (many with broadband), the question is likely to be, how big is the online community of interest for this niche product or service already, and how fast is it growing?

If you identify a community of interest around your niche, consider blogging on a subject that is interesting to the community – relevant, authentic content is a great way to



engage attention. While blogging for the community, pay particular attention to the existing content providers. Participate in the community by writing posts that reference their posts (a trackback), or by commenting constructively. If your content is good, you stand every chance of earning the attention of the existing content providers, who will begin to trackback and comment on your posts.

By joining and engaging a network in this way, rather than trying to acquire an audience one reader at a time, your content is visible to the subscribers of the existing content providers. Contrast this to a traditional advertising approach, where you have to attract the attention of one consumer at a time. By attracting the attention of a good blogger, you can participate in a far larger conversation.

If this sounds easy, it isn't. Without good content and an authentic commitment to contribute something of value to the community, it is highly unlikely you will encounter meaningful engagement. And the early stages are particularly hard, requiring patience and commitment. But the returns of an effective blogging strategy grow over time. And, once established, the investment can pay off over a long time.

Technorati (an internet search engine that focuses on blogs) lists more than 55 million blogs, with thousands of new blogs starting each day. Even accounting for the spam blogs (or 'splogs'), this is a phenomenal statistic. But if you look at the blogosphere in terms of the long tail, it becomes a lot more understandable. Try searching technorati.com for your niche topic and see what activity there is.

A small business doesn't need to communicate with an audience of millions to be successful. But using a blog to establish an authentic conversation with a niche audience who may just be interested in your long tail

product or service is definitely within reach of small business, and a tremendous opportunity in the era of the long tail. **M**

BLOGS FOR SMALL BUSINESS

EXTENDED WEBSITES: Blogs are a special type of website, with fresh content and a conversational style. If you understand websites, you know enough about the technology to assess whether blogs are for you.

PERSONAL: Like a captain's log, a web log – shortened to 'blog' – lets the blogger post entries to a website on a regular basis. A blog can stand on its own or be combined with a standard website (a 'blogsite'). Because of the log style, blogs make it easier to be a lot more personal than a traditional website. For business, this means readers get to experience the authentic voice of a person, rather than encountering an impersonal tone in a product-brochure style of communication (online or otherwise).

SUBSCRIPTIONS: If readers like what they read on a blog, they can leave a comment. They can also subscribe to the blog and find out when new entries appear (without requiring email). So blogs make it easier for people to read interesting content in a niche area without having to provide their email address.

LINKS: By writing posts that refer to content on other niche websites or blogs, it's easy for you to share content and link up with people online that have common interests.