

The Long Tail is Longer than You Think

Joe Bailey

Gordon Gao

Wolfgang Jank

Mingfeng Lin

Hank Lucas

Siva Viswanathan

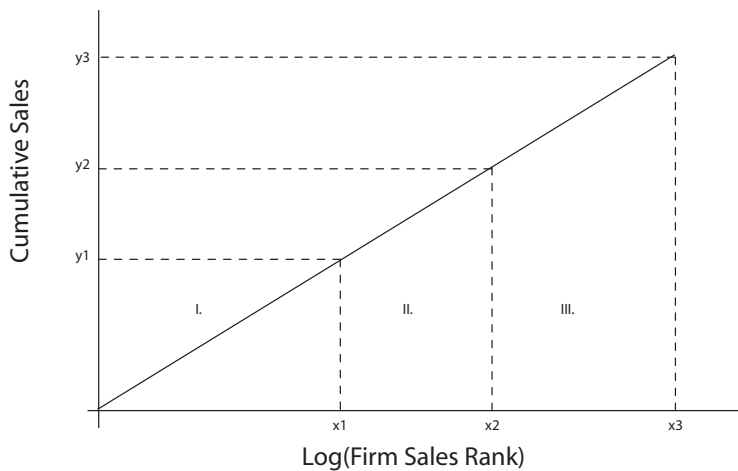
The Robert H. Smith School of Business
University of Maryland

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Introduction

- Ecommerce and lower barriers to entry → increased fragmentation
- Ecommerce and greater scale economies → increased concentration
- Statistically, the largest firms are over-represented in estimates
- Challenge is to better understand the relationship of firm sales rank and cumulative sales
- Current estimates of ecommerce are between \$130 billion and \$141.1 billion
- Initial examination of 2004 data

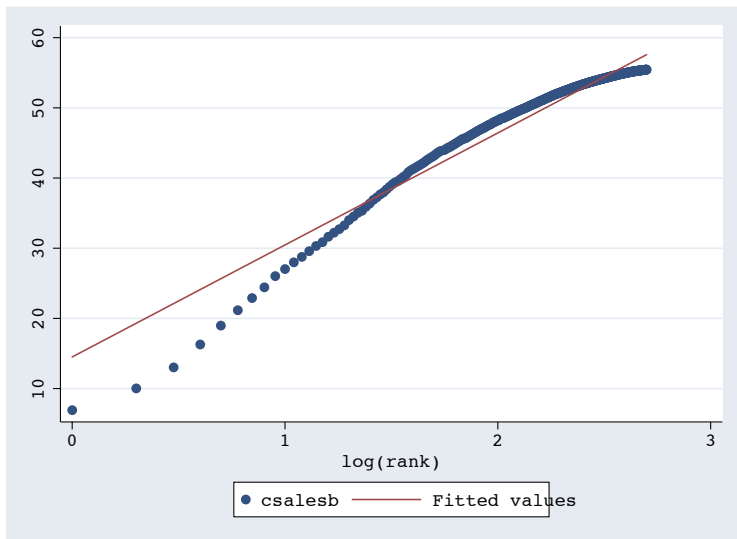
Initial Long Tail of Internet retailers



Region I.

- Firms have their own web site and transaction capabilities
- Not too many challenges since this information is reported
- $x_1 = 500$, $y_1 = \$55.7$ billion
- Could use this information to extrapolate to the entire sample

Region I. Actual vs. Predicted ($r^2 = 95\%$)



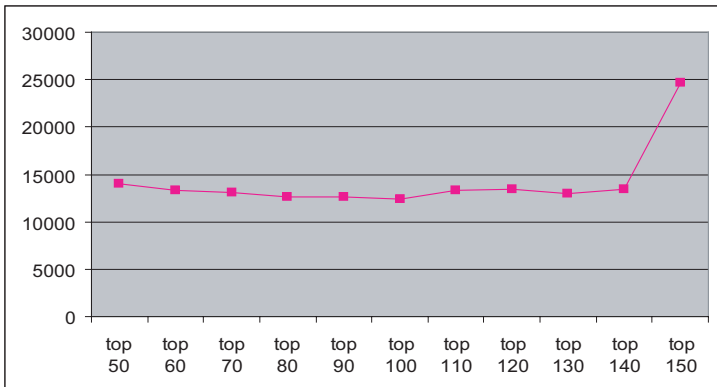
Region II.

- Firms have their own web site but may not have their own transaction capabilities
- Extrapolate from Region I. $\rightarrow x_2 = 28,628, y_2 = 85.6$ billion

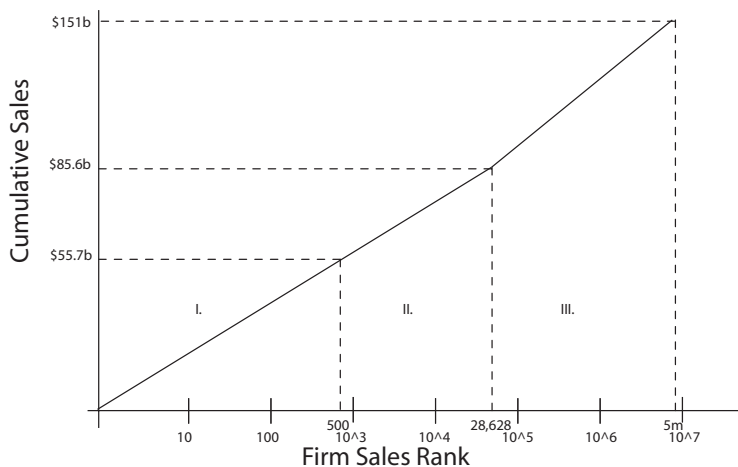
Region III.

- Firms sell through a third-party such as eBay, Amazon.com, craigslist, Yahoo
- Linear extrapolation from Region I. to Region III. → \$121 billion
- Use comScore data
 - Random sample of 52,028 users
 - Match this data with 160 retailers from Region I.
 - Estimate a scaling ratio of 12,433
- 95% confidence interval of [\$151 billion, \$160 billion]
- $x_3 = 5$ million, $y_3 = \$151$ billion

Scaling comScore Data (ratio is approximately 12,433)



Estimated Long Tail of Internet retailers

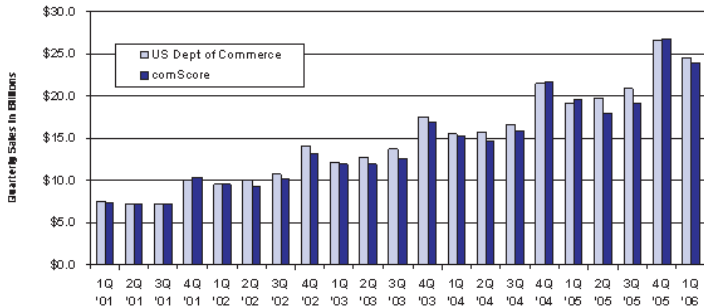


Comparison of Our Results vs. Previous Studies

- U.S. Census/Department of Commerce: \$130 billion
- Forrester: \$141.4 billion
- Therefore, previous studies underestimate the size of the market by approximately \$10-\$20 billion

comScore vs. Dept. of Commerce

Comparison of comScore Data to U.S. Department of Commerce Reports
Quarterly Retail E-Commerce Sales
2001 - 2006



Note: comScore Estimate - (Total Non-Trevel - Event Tickets + Estimated Auction Fees)

Conclusions

- Contributions to Internet retailing by firms in the long tail may be underestimated
- This may impact HHI calculations significantly
- Next steps
 - Sample firms in Region II. and III.
 - Replicate the data for 2005 and beyond to determine whether or not Internet retailing is becoming more or less fragmented