

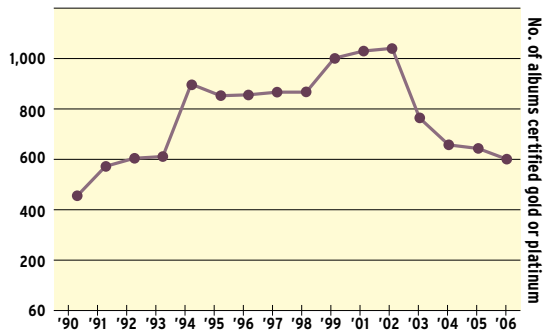


By Chris Anderson

The Rise and Fall of the Hit

The era of the blockbuster is so over. The niche is now king, and the entertainment industry—from music to movies to TV—will never be the same.

The Number of albums going gold or platinum has dropped since 2001.



On March 21, 2000, Jive Records released *No Strings Attached*, the much-anticipated second album from NSync. The album debuted strong. It sold 1.1 million copies its first day and 2.4 million in the first week, making it the fastest-selling album ever. It went on to top the charts for eight weeks, moving 10 million copies by the end of the year. The music industry had cracked the commercial code. With NSync, a pop-idol boy band fronted by the charismatic Justin Timberlake, Jive had perfected the elusive formula for making a hit. In retrospect it was so obvious: What worked for the Monkees could now be replicated on an industrial scale. It was all about looks and scripted personalities. The music itself, which was outsourced to a small army of professionals (there are 60 people credited with creating *No Strings Attached*), hardly mattered.

Labels were on a roll. Between 1990 and 2000, album sales had doubled, the fastest growth rate in the history of the industry. Half of the top-grossing 100 albums ever were sold during that decade.

But even as NSync was celebrating its huge launch, the ground was shifting. Total music sales fell during 2000, for only the second time in a decade. Over the next few years, even after the economy recovered, the music industry continued to suffer. Something fundamental had changed. Sales fell 2.5 percent in 2001, 6.8 percent in 2002, and just kept dropping. By the end of 2005 (down another 8.3 percent), album sales in the US had declined 20 percent from their 1999 peak. Twenty-one of the all-time top 100 albums were released in the five-year period between 1996 and 2000. The next five years produced only two—Norah Jones' *Come Away With Me* and OutKast's *Speakerboxxx/The Love Below*—ranking 79 and 91, respectively.

It's altogether possible that NSync's first-week record may never be broken. The band could go down in history not just for launching Timberlake but also for marking the peak of the hit bubble—the last bit of manufactured pop to use the 20th century's fine-tuned marketing machine to its fullest before the gears were stripped and the wheels fell off.

But the traditional model of marketing and selling music no longer works.

Music itself hasn't gone out of favor—just the opposite. There has never been a better time to be an artist or a fan, and there has never been more music made or listened to. But the traditional model of marketing and selling music no longer works. The big players in the distribution system—major record labels, retail giants—depend on huge, platinum hits. These days, though, there are not nearly enough of those to support the industry in the style to which it has become accustomed. We are witnessing the end of an era.

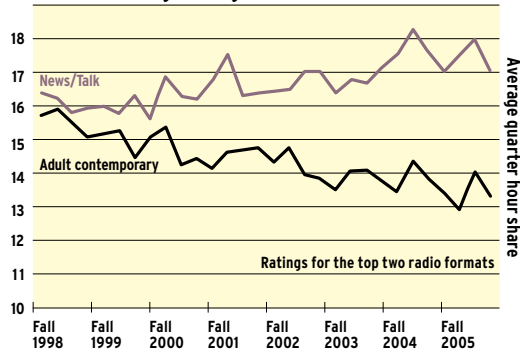
What caused a generation of the industry's best customers—fans in their teens and twenties—to abandon the record store? The labels cried piracy: Napster and other online file-sharing networks, along with CD burning and trading, had given rise to an underground economy of stolen music. Of course, there's something to that. Despite countless record-industry lawsuits, traffic on the peer-to-peer file-trading networks has continued to grow, and about 10 million users now share music files each day.

But technology didn't just allow fans to sidestep the cash register. It also offered massive, unprecedented choice in terms of what they could hear. Technology offered unprecedented choice in terms of what they could here. The average file-trading network has more songs than any music store—by a factor of more than 100. Music fans had the opportunity for limitless choice, and they took it. Today, listeners have not only stopped buying as many CDs, they're also losing their taste for the blockbuster hits that used to bring throngs into record stores on release day. If they have to choose between a packaged act and something new, more and more people are opting for exploration.

Technology offered unprecedented choice in terms of what they could hear.

Technology also gave consumers a new way to buy music. Rather than having to purchase an entire album to get a couple of good tracks, they can buy songs à la carte for 99 cents each. The online music industry is primarily a singles business, which depresses album sales further. Meanwhile, the music marketing machine has lost its power. When consumers were buying mainly from record stores, prominent in-store displays could drive tremendous demand, which is why the labels paid so much for them. But now most of the largest record store chains, from Tower Records to Sam Goody, are either in bankruptcy or emerging from it with greatly diminished clout. MTV doesn't play much music anymore, and money-losing *Spin* magazine was just, well, spun off for a fire-sale sum.

**Mainstream rock is losing listeners:
talk radio is growing**



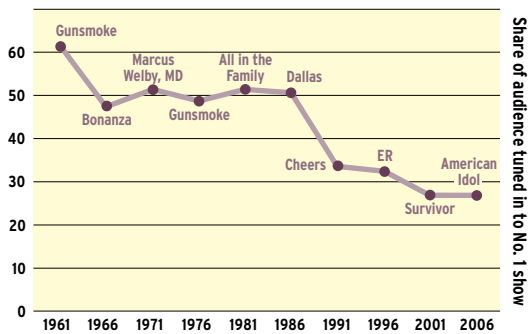
When it comes to lost marketing power, nothing compares to the decline of rock radio. In 1993, Americans spent an average of 23 hours and 15 minutes per week tuned to a local station. As of summer 2005, that figure had dropped to 19 hours and 15 minutes. Time spent listening to the radio is now at a 12-year low, and rock music is among the formats suffering the most. Since 1998, the rock radio audience has dropped 26 percent. What's killing rock radio? A perfect storm of competition. Start with the 1996 Telecommunications Act, which added more than 700 FM stations to the dial. This fragmented the market and depressed the economics of the incumbents. At the same time, the limits of ownership in each market were relaxed, which led to a nationwide rollup by Clear Channel and Infinity, whose operating efficiencies included bringing cookie-cutter playlists to once-distinctive local stations.

Practically every other sector of mass media and entertainment has witnessed a similar shift away from hits.

Then came the cell phone, which gave people something else to do during their commutes. And finally, the iPod, the ultimate personal radio. With 10,000 of your favorite songs on tap, who needs FM?

Practically every other sector of mass media and entertainment has witnessed a similar shift away from hits. Last year the Hollywood box office take fell 6 percent, continuing a decline in attendance per capita that started in 2001. The average top 25 blockbusters in any given year so far this decade have accounted for 5 percent less of the total box office gross than in the 1990s, even as they've cost 57 percent more to make.

TV's No. 1 show is attracting a dwindling share of the audience



Network TV ratings continue to fall as viewers scatter to cable channels; since 1985, the networks' share of the TV audience has dropped from three-quarters to less than half. Ratings of the top TV shows have fallen dramatically since the 1960s. Today's top-rated show, *American Idol*, is watched by just 18 percent of households. During the '70s, *American Idol* wouldn't even have made it to the top 10 with that kind of market share. Collectively, the hundreds of cable channels have now surpassed the networks in total viewership. No single one dominates.

Even television mega-events have lost their allure. In 2005, the World Series had its worst TV ratings of all time, 30 percent lower than the previous year. Ratings for the NBA playoffs last year reached record lows as well, down 43 percent from 2004. The ratings for the Grammy Awards in 2006 were down 31 percent from two years ago. And the Winter Olympics this year had their lowest ratings in 38 years, down 36 percent from the 2002 Games in Salt Lake City.

The trend holds for other media. Just 52 percent of Americans read a daily newspaper, compared with 81 percent four decades ago. Magazine newsstand sales are at their lowest level since 1970. And the number of weeks the average best-selling novel remains at the top of the list has fallen by half over the past decade.

Before you shed too many tears for the declining hit, remember that the era of the blockbuster was an anomaly. Before the Industrial Revolution, culture was mostly local—niches were geographic. The economy was agrarian, which distributed populations as broadly as the land. Distance divided people, giving rise to such diversity as regional accents and folk music, and the lack of rapid transportation and communications limited the mixing of cultures and the propagation of ideas and trends.

Influences varied from town to town, because the vehicles for carrying common culture were so limited. There was a reason the church was the main cultural unifier in Western Europe: It had the best distribution infrastructure and, thanks to Gutenberg's press, the most mass-produced item (the Bible).

But in the early 19th century, modern industry and the growth of the railroad system led to a wave of urbanization and the rise of Europe's great cities. These new hives of commerce and hubs of transportation mixed people like never before, creating a powerful engine of new culture. All it needed was mass media to give it flight.

In the mid- to late 19th century, several technologies emerged to do just that. First commercial printing technology improved and went mainstream. Then the new "wet plate" technique made photography popular. Finally, in 1877, Edison invented the phonograph. These developments led to the first great wave of pop culture, carried by such media as newspapers and magazines, novels, printed sheet music, records, and children's books.

Along with news, newspapers spread word of the latest fashions from the urban style centers of New York, London, and Paris. Then, at the end of the 19th century, the moving picture gave the stars of stage a way to play many towns simultaneously and reach a much wider audience. Such potent carriers of culture had the effect of linking people across time and space, effectively synchronizing society. For the first time, it was a safe bet that not only did your neighbors read the same news you read in the morning and know the same music and movies, people across the country did too.

We are a gregarious species, highly influenced by what others do. And film was a medium that could not only show us what other people were doing but could endow it with such an intoxicating glamour that it was hard to resist. It was the dawn of the celebrity age.

This hit-driven mindset has leaked out of Hollywood boardrooms and into our national culture.

The arrival of broadcast media—first radio, then TV—homogenized our adulation even more. The power of electromagnetic waves is that they spread in all directions essentially for *free*, a trait that made them as mind-blowing when they were introduced as the Internet would be some 60 years later. Broadcast emerged as the best vehicle for stardom ever.

From 1935 through the 1950s, the Golden Age of Radio led to the rise of national broadcast celebrities like Edward R. Murrow. Then television took over. By 1953, an astounding 72 percent of TV households watched *I Love Lucy* on Monday night.

This marked the peak of the so-called water-cooler effect, the buzz in the office around a shared cultural event. In the 1950s and 1960s, nearly everyone you worked with had seen Walter Cronkite read the news the previous night, and then tuned in to whatever top program followed: *The Beverly Hillbillies*, *Gunsmoke*, *The Andy Griffith Show*.

Throughout the '70s, '80s, and '90s, even as more channels arrived, television continued to be the great American unifier. Nearly every year, TV advertising set a new record as companies paid more and more for prime time. And why not? Prime-time TV defined the mainstream.

Then came the great unraveling. A new medium arose, one even more powerful than broadcast, and its distribution economics favored infinite niches, not one-size-fits-all fare. The Internet's peer-to-peer architecture is optimized for a symmetrical traffic load, with as many senders as receivers and data transmissions spread out over geography and time. In other words, it's the opposite of broadcast.

It will take decades for our entertainment industries to internalize the lessons of this shift. If your goal is to make a hit movie—but not necessarily a good movie—you must follow the Hollywood rules. Do pay as much as you can for the biggest-name star you can lure to the project. Don't try to be “too smart.” Do have a happy ending. Don't kill off the star. If it's an action movie (and, all things being equal, it probably should be an action movie), more effects are better than fewer. Certainly it's possible to break these rules and still have a hit, but why take chances? After all, you're investing a lot of money.

This hit-driven mindset has leaked out of Hollywood boardrooms and into our national culture. We have been conditioned by the economic demands of the hit machine to expect nothing less. We have internalized the bookkeeping of entertainment risk capital. This is why we follow weekend box office results like we do professional sports—to keep score and separate the clear winners from the seemingly obvious losers.

Fixated on star power, we follow the absurd lives of A-listers with attention that far exceeds our interest in their work. From superstar athletes to celebrity CEOs, we ascribe disproportionate attention to the very top of the heap. We have been trained, in other words, to see the world through a hit-colored lens.

We are abandoning the tyranny of the top and becoming a niche nation again, defined not by our geography but by our interests.

If it's not a hit, then it's a miss. It has failed the economic test and, therefore, never should have been made. This Hollywood mindset is now how we allocate space on store shelves, fill time slots on television, and build radio playlists. It's all about allocating scarce resources to the most "deserving," which is to say, the most popular.

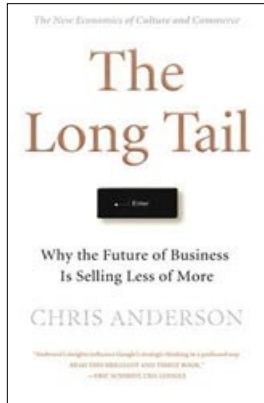
Ultimately, our response to hit culture is to reinforce hit culture. The world of shelf space is a zero-sum game: One product displaces another. Forced to choose, each link in the entertainment industry naturally selects the most popular products, giving them privileged placement. By putting our commercial weight behind the big winners, we amplify the gap between them and everything else. Economically, this is the same as saying, "If there can be only a few rich, let them at least be super-rich."

But now the audience is turning to a distribution medium that doesn't favor the hits alone. We are abandoning the tyranny of the top and becoming a niche nation again, defined not by our geography but by our interests. Instead of the weak connections of the office water cooler, we're increasingly forming our own tribes, groups bound together more by affinity and shared interests than by broadcast schedules. These days our water coolers are increasingly virtual—there are many different ones, and the people who gather around them are self-selected.

The mass market is yielding to a million minimarkets. Hits will always be with us, but they have lost their monopoly. Blockbusters must now compete with an infinite number of niche offerings, which can be distributed just as easily. Justin Timberlake still makes albums, but today he has thousands of bands on MySpace as rivals. The hierarchy of attention has inverted—credibility now rises from below. MTV and Tower Records no longer decide who will win. You do.

Adapted from *The Long Tail: Why the Future of Business Is Selling Less of More*, copyright © 2006 Chris Anderson, to be published by Hyperion in July.

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Chris Anderson is editor-in-chief of *Wired Magazine*. Prior to taking over *Wired* in mid-2001, Chris was with *The Economist* for seven years in London, Hong Kong and New York in various positions, ranging from Technology Editor to US Business Editor. His background is in science, starting with studying physics and doing research at Los Alamos and culminating in six years at the two leading scientific journals, *Nature* (where I met my wife) and *Science*. He lives in Berkeley, California with his wife and four small children.

Chris wrote *The Long Tail*, which first appeared in *Wired* in October 2004 and then became a book, published by [Hyperion](#) on July 11, 2006. An updated version of the original article appeared here (<http://www.changethis.com/10.LongTail>) at ChangeThis in December 2004.

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