

**Juan Ramón Campos Blázquez
Francisco González López**

Case: Mi tío de América

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There is a teacher's manual intended as a pedagogical complement.
It is available to teachers who use this document as teaching material.
editorial@esic.edu



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At the same time, he entered the world of ecommerce as commercial director of MRW and business development at SEUR, during which time he was a partner in a marketplace (www.runnics.com) and founder of mitiodeamerica.com.

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*Original case by professors **Juan Ramón Campos Blázquez** and **Francisco González López**, under the supervision of professor **Arancha Larrañaga Muguerza**. Developed as a basis for class discussion and not as an illustrative example of effective or ineffective handling of an administrative situation. The data used in this case is based on real events.*

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On a cold January morning in 2013, smelling of petrol and still with the taste of the last beer he had drunk, Paco González was sitting in his garage at home with an iPad in his hand, looking for a pair of carbon fiber slip-ons for his Yamaha R1 as he wanted to replace the ones that came as standard on the bike, which were made of titanium. In the spring he was going to go to the Albacete circuit with his friend José Miguel, and of course, he wanted to use them for the first time there. He found a wide variety of models on European websites, but a much wider range on North American ones, with the added attraction that prices were close to 50% cheaper. Obviously, he opted for a model he found on a North American website, but when he went to buy them, he was unable to do so for different reasons.

FIGURE 1
**PACO GONZÁLEZ AT THE ALBACETE
CIRCUIT (2014)**



Source: Own creation.

1. The beginnings

After an initial moment of frustration, Paco asked himself, “How could I buy a product in the US to benefit from those prices, but without living there or buy products that I couldn’t find in Europe or on Amazon or eBay? This question, to which he had not found a satisfactory answer together with his extensive

professional experience in international trade, in general, and in the logistics sector, in particular, led him to think that behind this personal need there could be a business opportunity. But of course, ideas for a business alone, do not turn into business. So, the first decision Paco made was to present the idea to his friend Elena, who is also an expert in logistics.

Elena was quick to point out two critical points for the success of the business. Specifically, i) identify the target market, its size and how to reach it, and ii) figure out the supply chain. These aspects did not seem easy to solve at first sight. This case focuses on the second point.

Regarding the first point, Paco was not clear about the size of his potential market, although he sensed that the spectrum of customers with needs related to the niche products could be very broad. In fact, he considered himself to be something of a geek himself, and this term would include fans of all kinds, from motorbike fans like himself to fans of series such as Game of Thrones and Big Bang Theory, two of the TV shows that have had a multitude of fan communities all over the world, or special edition boxing gloves.

In addition, being niche products, they may not be in high demand, compared to those that generally attract the attention of a mainstream public, but which together could represent a very significant portion of the total market. In other words, this is what marketers call the long tail effect.

2. The long tail effect. How technology has turned mass markets into millions of niche markets

Niche markets have always existed, but as the cost of reaching them decreases - consumers find niche products, and niche products find customers - they have become a culturally and economic force to be reckoned with.

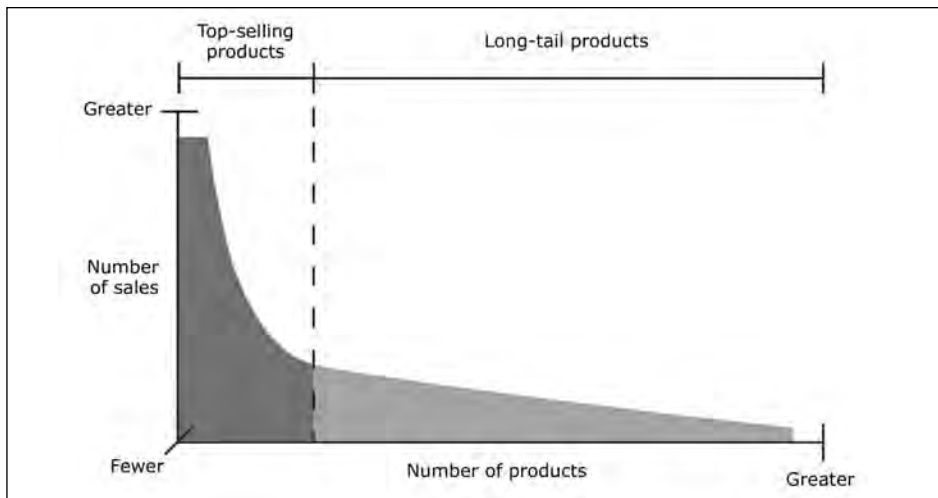
In an era of connected and all-digital consumers, the economics of retailing is changing dramatically as the Internet absorbs every industry it touches, becoming shop, theatre and broadcaster at a fraction of the traditional cost. These niches are a vast unexploited expanse of products that were previously unprofitable to offer. Many of these types of products have always been there, they just weren't visible or easy to find. They are the films that were not shown at the neighbourhood cinema or on TV stations, the music that was not played on our favourite radio station, the sports equipment that wasn't sold in the sports shops in our town. Now they are available through Netflix, iTunes, Amazon or just some random place we can find through any internet search engine. The invisible market has become visible.

Other completely new niche products have also emerged, at the intersection between the commercial and non-commercial worlds, where it is difficult to know when the professionals drop out and the amateurs take over. This is the world of bloggers, video makers and garage bands, all of them suddenly able to find an audience thanks to that same enviable economy of digital distribution.¹

¹ ANDERSON, C. (2008): *The Long Tail. Why the future of business is selling less of more*. Nueva York, Hyperion.

This phenomenon was explained in October 2004 by the editor of Wired magazine, Chris Anderson, in his article “The Long Tail”. The long tail effect refers to a situation in which the sum of niche products can represent a very significant portion of a market. The term “long-tailed distribution” is used in this statistic because it refers to the fact that the tail of the curve is much longer than the head part (Figure 2).

FIGURE 2
REPRESENTATION OF THE LONG TAIL EFFECT



Source: <https://laprestampa.com/el-proceso-grafico/impresion/el-long-tail-para-impresion-digital/attachment/the-long-tail/>

As a summary of the effect, it can be seen that the statistical distribution follows a very defined Pareto tail pattern, where the best-selling products are a very small percentage of the total market potential. It was this effect that inspired companies like Netflix, Spotify or Amazon to launch their disruptive business models.

One of the characteristics of the long tail effect is the democratisation of distribution tools through the commercial aggregators that “lower the barriers to entry”. Anderson (2008) distinguishes five types of commercial aggregators: i) physical product aggregators (Amazon, eBay), which provide merchants with the ability to sell long tail products from their platforms (ii) digital products (iTunes, YouTube), which have an unlimited catalogue of long tail products that they offer to consumers (iii) advertising (Google), which allows small and medium-sized businesses to earn money with advertising in the long tail as the consumer navigates through web pages; (iv) information (Wikipedia), which provides information on various content, immediately and constantly updated or v) user-created content, as is the case of blogs with countless long tail content (Anderson, 2008, p. 88).

Paco’s business was focused on this long tail, and to start with he needed to know what the situation was regarding the purchase of products from international websites on the Internet in Spain.