America Online (AOL): Navigating the Ups, Downs and Changes of Online Service

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Introduction

It’s never easy for an industry leader to turn its back on everything that had fueled its extraordinary success. But when facing decline in the one industry that had propelled it to greatness, America Online (AOL) was forced to rebrand and refocus or die a painful death. As a result, many consumers in the mid-to-later-2010s, likely didn’t know that a former online service giant was now behind their favorite digital media websites – or how/why that relationship had ever happened.

Introducing a New-to-the-World Product

Perhaps the public wasn’t ready for Quantum Computer Service’s 1989 new product offering, instant messaging, which went largely unnoticed. General perceptions of online service were that it was expensive, complicated, and boring. Perhaps that’s why few people were actually doing it (Nollinger, 1995). The same was true two years later, when Quantum changed its name to America Online (Jones, 2015). Both the company and its concept of online service remained relatively inconspicuous.

The obscurity of each (company and industry), however, would soon change. Promising to make going online an inexpensive experience that offered fun, interesting, and/or informative content (Nollinger, 1995), AOL quickly became a household name – riding the 1990s Internet explosion to astounding success.

Such growth, however, doesn’t last forever. Two decades later, an AOL brand known for 1990s technology encountered significant hurdles in the mid-to-later 2010s. When coupled with intense competition, by 2016 AOL could no longer resemble the company – or brand – that had enjoyed its wild ride of the 1990s.

1990s: Promotion, Branding, and Extraordinary Growth

In the early stages of Internet service, cable access to the internet was limited as most large cable companies did not yet have cable-based internet service available to consumers in most markets. Instead, individuals desiring to use the internet typically needed two things: an internet service provider (ISP), and browser software within their computer to access the service provider. Focused mainly at the research and business markets, brands like Prodigy, CompuServe, and GEnie were the largest ISP brands in the early 1990s.
An individual wishing to access the internet during this early stage would place a call to an ISP utilizing a dial up modem through the telephone network over phone lines. Since the phone network was built for voice communications, not data communications, data speeds through the dial up network were often slow and the quality was not always good.

In addition to the modem, an individual would need software from an ISP within his/her computer to make an electronic connection that would provide access. At that time, customers paid for service by the minute of use. With slow speeds, this process could be an expensive proposition.

**Advertising**

AOL focused on the general public, particularly those who were not yet using any ISP. Low customer awareness of the product itself led AOL to run advertisements throughout the early and mid-1990s that highlighted the benefits of using online service. Ads, for example, depicted people using AOL to make purchases or complete errands without leaving the home or office. Intended to attract nonusers into the marketplace, such messages weren’t designed to encourage an early adopter who used one of the other early ISPs to switch to AOL.

**Direct Marketing**

The AOL brand had also became known as the brand that mailed compact disks (CDs) to potential customers throughout the US. These CDs offered a free trial membership with a limited number of free hours to get nonusers started online. Consist with its advertising, AOL’s intent was to attract those customer who were not using any ISP (hence not currently accessing the Internet).

**Broadening the Market**

Seeking to grow Internet usage, AOL worked with numerous educational organizations such as the National Educational Association, the American Federation of Teachers, National Geographic, Smithsonian Institution, The Princeton Review, and the U.S. Department of Education.

**Logo and Branding**

Throughout the 1990s, the brand mostly stayed with a triangle shaped logo. Originally, the logo displayed the full brand name underneath it. Later, the abbreviated “AOL” name was provided instead of the full name. (See Figure 1).
Growth

AOL’s approach worked beautifully. In October 1991, AOL announced approximately 143,000 subscribers to its dial-up online service. One year later, that number increased approximately 40% to more than 200,000 (McCracken, 2010).

AOL’s approach of free trial memberships through customer-specific direct marketing coupled with its product-based advertising seemed to increase consumers’ attention to the brand very rapidly. Although AOL focused on providing access to online content, as the brand grew it quickly became associated with its iconic “You’ve got mail” alert for users who took the plunge to install AOL and to create email accounts (email was also very much in its infancy among consumers). By December 1993, AOL’s dial-up Internet service boasted more than 500,000 subscribers (McCracken, 2010). By August 1994, AOL’s subscribers had surpassed 1,000,000. Two months later (October 1994), AOL issued its own press release proclaiming itself the most popular online service in the world (McCracken, 2010). By November 1995, AOL boasted over 4 million subscribers – and counting (McCracken, 2010). By establishing email accounts, users would also experience a (nonfinancial) switching cost should they want to switch to another provider.

In fall 1996 AOL announced it would switch its pricing from a per minute rate to a flat rate monthly fee of $19.95 that offered unlimited minutes (Pelline, 1996). The move was seen as a defensive maneuver against smaller, more localized ISPs that had begun offering low flat rates. These local ISPs were able to offer such low rates because they carried lower overhead fixed costs and they didn’t develop their own content (Jackson, 1998). AOL’s new flat rate went into effect in December of that year (Miller, 1997).

By 1997, AOL had pushed subscription rates to approximately 8 million (McCracken, 2010) when it announced it would be purchasing CompuServe (CNET, 1997). By 1997, approximately half of all US homes with dial up internet access used AOL (Madrigal, 2014). *Upside Magazine* recognized Jan Brandt, AOL’s Senior Vice-President of Marketing, as the top sales and marketing executive in the United States. The publication claimed that it had become
“frustratingly impossible to get AOL out of your head” (AOL press release cited in McCracken, 2010, p. 3).

2000s: Time Warner Merger – The Misplaced Decade

In January 2000, AOL announced a merger with media giant Time Warner. The merger was perceived by many as a brilliant combination of the dominant Internet provider with a major cable network. The prevailing question at that time was the extent to which competitor companies would be left behind (Gunter McGrath, 2015).

The new corporate name became AOL Time Warner and traded under the ticker symbol: “AOL.” AOL and Time Warner each retained their own brand distinctive brand names. Analyst expectations for the newly merged company were extremely high as seen in the following excerpts from a September CNNMoney article:

“In a stunning development, America Online Inc. announced plans to acquire Time Warner Inc. for roughly $182 billion in stock and debt Monday, creating a digital media powerhouse with the potential to reach every American in one form or another.

With dominating positions in the music, publishing, news, entertainment, cable and Internet industries, the combined company, called AOL Time Warner, will boast unrivaled assets among other media and online companies.

The merger, the largest deal in history, combines the nation’s top internet service provider with the world’s top media conglomerate. The deal also validates the Internet’s role as a leader in the new world economy, while redefining what the next generation of digital-based leaders will look like.

“Together, they represent an unprecedented powerhouse,” said Scott Ehrens, a media analyst with Bear Stearns. “If their mantra is content, this alliance is unbeatable. Now they have this great platform they can cross-fertilize with content and redistribute.

More importantly, it provides AOL, which already boasts more than 20 million subscribers through its AOL and Compuserve Internet services, high-speed broadband access to Time Warner’s more than 13 million cable subscribers, further reinforcing its position as the nation’s top online provider. In return, Time Warner -- parent company of a broad range of media outlets, including Warner Bros. Studios, HBO, CNN, Warner Music, Time magazine and CNNfn.com -- gains a powerful national and growing international platform upon which to distribute and promote its sizable products.

"I don't think this is too much to say this really is a historic merger; a time when we’ve transformed the landscape of media and the Internet, said Steve Case, AOL’s chairman and chief executive officer. "AOL-Time Warner will offer an
incomparable portfolio of global brands that encompass the full spectrum of media and content.

In fact, Case said it’s hard to imagine a home in the United States that is not touched by Time Warner or AOL in some way, be it television, movies, music or the Internet (Johnson, 2000, p. 1).

As these high expectations were echoed by many industry analysts, AOL Time Warner appeared poised to enjoy a dominant position throughout American households. In 2000, Inter@ctive Week ranked AOL as the largest Internet Service Provider (ISP) with over 23 million subscribers.

Some analysts expected the AOL Time Warner merger to heighten pressure on other ISPs to make major corporate deals as well. Other top providers at that time included Earthlink, Excite@Home, Microsoft Network (MSN), and Prodigy.

The newly formed company intended to market the AOL brand separately from Time Warner’s preexisting ISP brand, Roadrunner. As its name might indicate, Roadrunner had begun branding itself as being fast. Its tagline, “the worldwide wait is over” (Dodge, 2000) cleverly played off the “www” in “worldwide web.”

Other ISP brands had begun creating distinctive associations as well. Several brands had focused on price – to the point of offering free online service. These free brands would receive revenue from advertisers whose ads appeared on the user’s screen.

Having built its success on dial-up based service, the AOL brand wasn’t known for its great speed or price. AOL had focused more on innovative content and features such as enhancing instant messaging and offering parental controls.

Despite its high expectations, increasing competition and a maturing US demand for online service led to declining subscribers in the early 2000s. As the country began transitioning from dial-up online service to the much faster broadband based Internet service, customers began reevaluating different competitive offerings. Faster internet speeds lead to greater content availability. Companies like Google, and Yahoo took advantage of this opportunity with more sophisticated search capability. AOL’s browsing software and content was soon outpaced by these newer browsers. Concurrently, AOL’s approach of charging for monthly usage was becoming less appealing (Gunter McGrath, 2015) as the brand failed to differentiate itself successfully.

In 2003, the company announced it would drop the AOL portion of its name completely. The corporate name became Time Warner and its stock then traded under Time Warner’s previous symbol: “TWX.” Since the time of the merger, the combined company had lost billions of dollars of shareholder value (Hu, 2003).
In 2009, Time Warner announced it would spin AOL into its own company – separate from the rest of Time Warner. Time Warner’s stock had plummeted nearly 80% since the time of the merger (Smith, 2009).

By the time the ISP industry had plateaued within the US, the AOL brand had taken multiple hits. The brand was still seen as a 90s brand (Swisher, 2009) in an industry where being viewed as current was particularly important. Additionally, the AOL brand name had taken another negative hit from the disastrous merger with Time Warner – arguably one of the worst mergers in history.

**Early-to-Mid-2010s: Rebranding for New Growth Opportunities**

With the advent of cable connectivity through companies like Comcast, many consumers were now getting broadband internet service through cable providers. Such service were typically bundled with other products such as television services.

**Branding and Logo Redesign**

During this era, new AOL CEO Tim Armstrong felt AOL needed to rebrand. He felt strongly, however, about maintaining the AOL brand name, which he believed still enjoyed some emotional connection with customers (Swisher, 2009).

> “I wanted to keep AOL as the brand, because bottom line there was a lot of good will around the name ... As a consumer brand, there was a high level of affection” (Swisher, 2009, p. 1).

In 2009, AOL announced a logo change as part of updating its image (Elliot, 2009). AOL dropped the triangle shape and changed “AOL” to “Aol.” (includes the period). The new logo design appeared on a variety of pictures/images as seen in Figure 2.

**Figure 2**

AOL Logo Rebranding: 2009
By May 2011, Armstrong’s quotes from the Associated Press indicated the brand image might have been changing:

I think a lot of it was just that old perception. If people used our services, they usually had a lot of complaints about them. When I was out and about, just doing things, people would stop me and say, ‘Oh, you're the AOL person, right? I have this issue with my account.’ ... But about six months ago, something started to change. The difference between the last six months and probably two years ago is when people stop me now, they say, ‘Oh, I'm addicted to the front page of AOL [i.e., AOL.com, which offered news and opinions as discussed below]. I love it. I love the new way the email's been designed.’ (Metz, 2011).

Not all research on brand perceptions, however, indicated the AOL brand to have improved as much as Armstrong might have hoped. 2011 industry research by Hunch (a specialized recommendations app) found that (among other things) consumers perceived people who still used AOL email account to likely be (Lee, 2011):

- Aged 35-64
- Overweight
- Politically middle of the road
- In a relationship of 10+ years
- Without having traveled outside their own country

The next generation of users was younger and more tech savvy. Table 1 displays the age distribution of email users with the top domains. As evidenced by the age distribution of email domains Gmail and Yahoo attracted much younger audiences as demonstrated in Table 1.

Table 1
In 2014, YouGov BrandIndex reported an index score for Internet-based brand perceptions compiled of six measures: Impression, Quality, Value, Satisfaction, Reputation, and Willingness to Recommend (Marzilli, 2014). AOL’s index score was 2.7, indicating that there were 2.7% more respondents who gave AOL an overall positive rating than ones who gave an overall negative rating (Smiley, 2015). As shown in Table 2, AOL’s brand perceptions ranked 11th out of 12 Internet-based brands on the index – well below each of the Top 10:

### Table 2
Social Media Companies
YouGov Brand Index Ratings

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Google:</td>
<td>53.0</td>
</tr>
<tr>
<td>2</td>
<td>YouTube:</td>
<td>49.4</td>
</tr>
<tr>
<td>3</td>
<td>Yahoo!:</td>
<td>29.3</td>
</tr>
<tr>
<td>4</td>
<td>Facebook:</td>
<td>28.2</td>
</tr>
<tr>
<td>5</td>
<td>Pinterest:</td>
<td>27.7</td>
</tr>
<tr>
<td>6</td>
<td>Google+:</td>
<td>24.3</td>
</tr>
<tr>
<td>7</td>
<td>LinkedIn:</td>
<td>18.6</td>
</tr>
<tr>
<td>8</td>
<td>Twitter:</td>
<td>12.1</td>
</tr>
</tbody>
</table>
ISP Industry Crossroads

By 2014, the percentage of ISP users within the U.S. had reached 87.36%. Unfortunately, AOL’s ISP market share had shrunk to approximately only 1% of households reporting internet access (File and Ryan, 2014). The international marketplace showed better growth potential, however, as the percentage of internet service users was not nearly as high and was still increasing rapidly as shown in Figure 3.

The combination of a highly mature domestic ISP market; potential international growth opportunities in ISP; and potential growth opportunities within other online service industries, had led AOL to strategic crossroads. AOL had chosen to place high priorities in maintaining content-based websites and in offering online advertising and promotional services (see below). Doing so, allowed AOL to diversify its product offerings as part of its overall rebranding approach. It also allowed AOL to take advantage of strategic growth opportunities in still expanding markets.

![Figure 3](https://example.com/figure3.png)

**Online Service User Growth 1997-2014**

ITTU.int (2015); Wikimedia Commons (2009)

Products
Although consumers had long associated AOL primarily with online service, by the mid-2010s, the company diversified portfolio of products fell within three categories: AOL Membership Group (online service, mail, etc.); AOL Networks (online advertising platforms and services); and the Content Brands Group (a wide array of content-based websites). AOL Networks contributed the highest revenue of the three (Peterson, 2013).

**AOL Membership Group.** Although most online service utilized broadband by this time, the AOL Membership Group still offered each type of service. The dial-up service was actually still profitable (Suciu, 2015) with over 2 million subscribers (Matyszczyk, 2015).

**AOL Network.** AOL offered a wide spectrum of advertising tools and services through websites such as Advertising.com and Advertising.AOL.com. Programmatic advertising services were a particularly growing industry in which the company worked with corporate clients to provide full assistance and complete advertising services. Examples of programmatic advertising services included, among other things, tailoring online advertisements to consumers whose search history had indicated a desire for a particular product or brand.

**Content Brands Group.** AOL’s online websites provided a wide diversity of content offerings as shown in Table 3. AOL’s most well-known website was likely the news website *Huffington Post*, which AOL had purchased in 2011 (Peters and Kopytoff, 2011). By mid-2015, the *Huffington Post* was attracting more than 200 million unique visitors per month (Sebastion, 2015).

Another popular webpage was AOL.com, which offered a platform to a variety of online content and activities. AOL.com, for example, provided current news updates and opinions, while also including links to activities (and additional content) such as mail, games, shopping, finance, lifestyle (such as tips for beauty, health, food, etc.), and entertainment.

Other company-owned websites provided content tailored toward a specific industry and its audience. Table 3 identifies the specific content offering of each website.

<table>
<thead>
<tr>
<th>Website</th>
<th>Content Offering</th>
</tr>
</thead>
<tbody>
<tr>
<td>AOL.com</td>
<td>News, Opinions, Entertainment, Activities</td>
</tr>
<tr>
<td>Autoblog</td>
<td>Automotive News, Reviews, and Podcasts</td>
</tr>
<tr>
<td>Engadget</td>
<td>Coverage of New Technology Gadgets and Electronics</td>
</tr>
<tr>
<td>Huffington Post</td>
<td>Full Array of News Coverage, Blogs, and Opinions</td>
</tr>
<tr>
<td>MAKERS</td>
<td>Stories and Highlights of Women Leaders/Leadership</td>
</tr>
<tr>
<td>Mapquest</td>
<td>Driving Directions, Maps, and Traffic Updates</td>
</tr>
<tr>
<td>Moviefone</td>
<td>Movie Insights and Releases</td>
</tr>
<tr>
<td>TechCrunch</td>
<td>Technology News, Insights on New Technology Products/Start-Ups</td>
</tr>
</tbody>
</table>

**2015: Purchased by Verizon**
In 2015, Verizon announced it was purchasing AOL for $4.4 billion. Verizon found AOL’s diversified web-based content and its programmatic advertising services particularly appealing (Eitel, 2015).

It also saw AOL as offering a platform to capitalize on the rapidly growing – and potentially highly profitable – digital content industry. In 2015, Verizon had already announce its intentions for Internet-based TV and video services. AOL’s expertise in digital programming and the popularity of its digital platforms also offered valuable resources for Verizon’s plans (Fitchard, 2015). Timing would be critical as these technologies were seeing new growth – but there were no guarantees as how long that growth would last.

Two decades after having taken advantage of one great industry growth rate, the “Aol.” brand finally seemed well positioned for the next. Now with three primary product lines, the brand had successfully adapted its offerings and had positioned itself for growth within the rapidly changing online world that it had so successfully shaped during its infancy.
References


