

AOL tries to navigate the Web it helped you find

On its own once again, pioneering Internet firm now focuses on content

—by Michael S. Rosenwald

Before it was AOL, it was America Online, and before it was America Online, it was Quantum Computer Services, and before that it was Control Video Corp., selling online services for the Atari. Remember the Atari? Pac-Man? In Internet time, that was basically 10,000 years ago.

Compared with the Googles and Yahoos of the world, AOL's business of offering a gateway to online tools such as e-mail and instant messaging feels just as dated as Atari. Now, after a disastrous \$164 billion merger with Time Warner nine years ago, AOL has been spun off into its own company, and the new executives running the firm—the head honcho comes from Google—are once and for all breaking free from the we'll-hold-your-hand model to get online, instead creating content which users can surf to on their own.

The new AOL publishes sites on gadgets, sports, politics and celebrities' lives (via TMZ.com).

How AOL wound up at this point, an online trendsetter turned content publisher, is a story of innovative snipers that dates to the summer of 1996. It was a critical moment in the Dulles company's history. With telephone firms offering on-ramps to the Internet so users could choose their own travels, AOL executives doubled down on their strategy of a go-through-us portal to send e-mail, chat with buddies, and search for recipes.

But a digital war was brewing. In California, two young entrepreneurs were quietly working on a plan that would, in hindsight, help blow up AOL's model. Why not take e-mail, then and still the most popular online task, out of portals such as AOL and put it on the Internet to be accessed anywhere via a Web browser? Venture capitalists bit, and on July 4—Independence Day for the country and for e-mail—Hotmail launched.

"We didn't find it that hard to out-innovate AOL," Jack Smith, a co-founder of Hotmail, said recently. "With Hotmail, you didn't have to install anything and you didn't have to dial in to a particular service to get

your e-mail. It made perfect sense to us."

AOL's role in mainstreaming many functions of the Internet is undisputed—instant messaging, chat boards, keyword searches, social networks, and especially e-mail. The firm's role in shaping e-mail use was even canonized in a Meg Ryan-Tom Hanks movie called "You've Got Mail," a title that echoed what AOL users heard when e-mail arrived. But for AOL, being a first mover in a rapidly changing market proved just as dangerous in the new online world as it always was in the offline world.

Being first paints a target on your back, and if you aren't careful, other innovators can out-think you. Entrepreneurs like Smith took what AOL had popularized and moved it out of AOL's expensive walled garden, for which users had to install software and dial to from home for access, offering it through Web browsers for the very attractive price of free.

A world of free e-mail

When did AOL begin offering its e-mail free on the Internet? In 2006. By then, millions of AOL users had dumped their accounts, going through portals such as Yahoo and MSN, which bought Hotmail for \$400 million to get their free e-mail. The Internet largely left AOL e-mail behind. Users didn't need AOL for e-mail—or instant messaging, or chat boards, or even to get online at all.

"AOL really showed that e-mail was something that people wanted and would integrate in their lives," said Paul Levinson, an Internet historian and professor of media studies at Fordham University. "AOL lost its lead and became yesterday's news because they didn't see that what people wanted was not a particular place to go every day, but the ability to go from one place to another, with e-mail always available."

'They think it's too hard'

Think of it this way: AOL was a department store, and people wanted to walk around the mall. Back

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New GPS helps drivers avoid speed traps
—Carrol Van Stone

Whether vacation driving or commuting to work... no one can afford a speeding ticket snapped by a red light camera. Drivers are fighting back by using a GPS which works with Tom-Tom, Garmin and Magellan units. PhantomALLERT GPS beeps to alert the driver if they bump over the speed limit, giving them time to slow down when they approach red light cameras and speed traps—legal and safe. The national, constantly updated database powering PhantomALLERT is updated daily by drivers adding locations as they find them. Apart from saving drivers money, using PhantomALLERT GPS could also positively affect the rate of driving accidents. More accidents happen if people slam on the breaks; now drivers can anticipate when they need to slow down, keeping all safer. [www.phantomalert.com]

CORRECTION

in 1996, AOL executives were adamant that the mall was the appropriate strategy. Two months before Hotmail launched, *The Post* quoted AOL chief executive Steve Case as saying: “Only 11 percent of U.S. households are online. Why aren’t the other 89 percent? They think it’s too hard and too complicated, and they’re right.”

One of AOL’s earliest simplicity moves involved e-mail. CompuServe and Prodigy, its competitors, gave users e-mail addresses with a string of numbers. Your e-mail address on CompuServe would be, say, “75013,1167.” AOL executives let people use their names as their e-mail addresses. Users signed up by the millions.

“Using your name was really a big innovation,” said Fletcher Jones, a longtime AOL employee who oversees e-mail. “It became your online personality.”

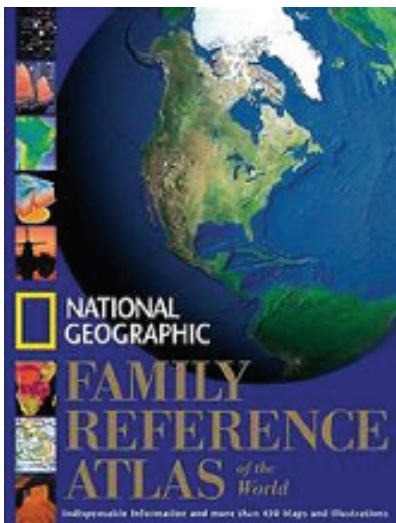
But there was nothing stopping Jack Smith, and his partner, Sabeer Bhatia, from making that model even easier. Smith and Bhatia gave Internet users the option of accessing their online personality and correspondence—Smith’s e-mail address is still jack@hotmail.com— without dialing in through AOL.

While AOL spent \$40 per user on marketing to win new signups, Hotmail added users for free in one of the Internet’s earliest viral advertising schemes. At the bottom of every Hotmail e-mail, it said, “Get your free e-mail at Hotmail.”

Adam Penenberg, a New York University professor and author of a new book on viral loops, wrote: “Simply by using the product, every customer became an involuntary salesperson. This implied endorsement from a friend or peer made it more powerful—and more far-reaching—than traditional advertising.”

Hotmail never became a blockbuster business. But for AOL, the writing was now on the wall, and it said Yahoo, MSN, Google, Hotmail, Gmail, Facebook, Twitter, Yahoo Messenger, Google Talk, Myspace, and so many other quintessential brands the company played a role in inspiring—all free.

“As things became easier, more and more people took the training wheels off and realized they didn’t need to pay to access the kinds of services that AOL offered,” said Chuck Schilling, Nielsen Online’s research director for agency and media analytics. “As people became more savvy, that was the beginning of the end. AOL was no longer equated with the Web. It was not the Web.”



The book review of *Family Reference Atlas of the World, 2002*, published in the October issue of the *ACSM Bulletin*, was mistakenly attributed to Steve Keisel. The review of this captivating visual reference to the world was written by Daniel Loegel, GISP, of Integraph Corporation.

Family Reference Atlas of the World, 2002, National Geographic, Washington