AOL tries to recapture that startup feeling

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FILE - In this May 12, 2008 file photo, the AOL Running Man logo and other decorations are shown in AOL's New York offices. AOL employees probably won't be whizzing down the halls on skinny silver scooters any time soon. But the new leaders of the long-struggling Internet company are trying to recapture its more freewheeling, startup past. (AP Photo/Mark Lennihan, File)

(AP) -- It might seem an odd move for a company that relies on money from advertising. Yet AOL is reducing the number of ads it shows on its home page and some other Web sites it runs.

The maneuver is one of the changes new CEO Tim Armstrong, 38, has brought to the long-struggling Internet company since he took over AOL in April. The former Google Inc. executive was hired to recharge AOL and lead its spinoff from Time Warner Inc., undoing a legendarily disastrous deal.

To prepare for AOL's rebirth as an independent company later in the year, Armstrong and other executives say they are trying to recapture elements of the culture AOL had when it was a startup - back when it was America Online and on its way to becoming the dominant provider of dial-up Internet access.

These days, AOL is focused on getting revenue from ads it sells for its own Web sites, like celebrity gossip blog TMZ, and for third-party sites, while the dial-up business slowly evaporates (though it still has 6 million subscribers). It's been a profitable formula, but revenue has been falling: In the first quarter, sales fell 23 percent to $867 million.

With 7,000 employees spread around the world, it's a stretch to think AOL can feel like a Silicon Valley startup, with employees whizzing down the halls

on skinny scooters. But Armstrong says certain decisions - like getting rid of some advertisements - will alter AOL's culture and help it regain favor.

"I think AOL's return to higher prominence in terms of being an Internet leader is purely dependent on the work that we do here," the tall, affable Armstrong said in an interview.

For instance, he said, pulling back some ads - a step that reduced clutter on AOL pages and made them load faster - showed that consumers were the company's first priority, given that the move could sacrifice some revenue.

"We are on a long journey and sometimes you do have to make short-term trade-offs for that long-term gain," said AOL's new head of advertising, Jeff Levick. He also came from Google, where Armstrong oversaw the company's North and South American advertising operations.

In some cases, reducing ads might not even hurt revenue. Armstrong said that when AOL cut some ads from its MapQuest site, traffic rose while the company made the same amount of money off the remaining ads, which could each get more attention.

Another goal of Armstrong's is to speed AOL's ability to innovate. He's made Tuesdays into "product meeting days," with teams behind several different AOL products or services - say, AOL Autos or the company's e-mail service - discussing ideas with executives. Armstrong says lower-level employees now get a greater say in these sessions.

"We don't always need management to present what's happening at the company," he said.

The impending spinoff from Time Warner also appears to be changing the atmosphere. Bill Wilson, head of the company's MediaGlow unit, which includes Web sites and blogs such as WalletPop and Engadget, said employees are beginning to feel they have more influence over AOL's destiny.

"That's much harder in a conglomerate than in a focused company," he said.

Even so, it remains to be seen how far enthusiasm and a new focus can carry AOL. The company is in a fierce battle for Internet users with the likes of Google and Yahoo Inc., not to mention upstarts such as Facebook and Twitter.

Last fall, AOL tried to innovate by creating a way for users to view outside content, including e-mail from Yahoo and Google, from within the bounds of AOL.com. But the brand is not widely associated with what's new and cool online.

Its Web sites do get plenty of traffic, though: AOL's various Web properties averaged about 107 million unique U.S. visitors each month during the second quarter. That ranked fourth behind Google, Yahoo and Microsoft Corp.

"They've got opportunities," said David Joyce, an analyst with Miller Tabak & Co. "So let's see what they make of it."