

Ex-AOL exec calls Facebook new 'walled garden'

May 2 2012, By RYAN NAKASHIMA , AP Business Writer

(AP) -- A former AOL executive says Facebook has a lot in common with the one-time online powerhouse.

For years, AOL tried its best to keep users within its walled gardens filled with exclusive articles, chat rooms and other features. That's much the way Facebook operates; you have to sign up and log in to be involved in your friends' lives.

"When you have the walled garden, it was wonderful how it perpetuated itself," Bob Pittman, AOL's former chief operating officer, said Tuesday at the Milken Institute Global Conference in Beverly Hills. "When you wanted to talk to someone in the walled garden, you had to join the walled garden."

AOL Inc., once the country's largest [Internet access provider](#), began breaking down its walls in 2004 and accelerated that in 2006 when it started giving away AOL.com email accounts for free.

Pittman said AOL's decision to abandon its walled garden is what led to its troubles today. That came after he left in 2002. Pittman said Facebook is unlikely to make the same mistake today.

"Facebook is the next walled garden. It's the second walled garden after AOL. They are really smart and they are not letting anybody convince them to get rid of the walled garden."

AOL had little choice, though. AOL knew it meant millions of customers dropping their paid subscriptions of as much as \$19.95 a month. But its subscription business was eroding regardless as Internet users abandoned dial-up connections for broadband services through phone and cable companies.

AOL instead bet on a future in online advertising. By making services free, AOL had hoped to generate more traffic so it could sell more ads. But years later, AOL still struggles with trying to capture those visitors and advertising dollars.

Pittman, the MTV founder who now heads radio giant Clear Channel, said AOL's ability to sell access to the large community inside the walls was what gave AOL its value.

Facebook is certainly valuable. It is set to offer shares to the public for the first time soon in what could value the company at more than \$100 billion. It has that value even without monthly fees; [Facebook](#) merely requires you to use your real identity and an authentic email address.

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