Aol time warner- what went wrong

Philosophy

In January 2000, AOL announced that it would be acquiring Time Warner through a complete stock deal to create the largest media company in the world. Not only was the merger the biggest ever in the media industry, it was also one of the biggest in the history of the corporate world. As per the merger agreement, AOL and Time Warner stock was converted to AOL Time Warner stock. AOL shareholders received one share of AOL Time Warner for each AOL share owned and Time Warner shareholders received 1. shares of AOL Time Warner for each Time Warner share they owned. While AOL shareholders owned 55% of the new company, the remaining was held by Time Warner. The merger was soon being talked of as the beginning of a new trend: the coming together of traditional and new media companies. According to a report, AOL was 'a turbo-charged engine' that would bring old media giant, Time Warner, into the Internet century. The merger was expected to result in a 30% increase in profits, amounting to over US $ 40 billion in revenues in the first year itself.

The new company had 100 million paid subscribers, which included the customers of AOL's dial-up service and subscribers of Time Warner's cable and magazine divisions. A major setback to the success of the merger was the bursting of the Internet bubble, which was expected to rule the media and entertainment industry in the 21st century. When the Internet bubble burst, there was a steep decline in subscriber growth for AOL, which led to a steep decline in its advertising revenues.

Time Warner merged with America Online in 2001 at the height of the dot-com boom, with AOL using its inflated stock as a currency for the transaction. But the marriage of old and new media behemoths baptised quickly went sour as the benefits promised to shareholders failed to materialise. AOL was valued at more than $US150 billion when the ill-fated merger was announced, but its worth collapsed dramatically as the dot-com bubble burst. Time Warner was forced in 2002 to massively write down the value of the Internet unit and the AOL name was removed from the group's corporate title in 2003.

As a consequence of this not only lost AOL subscribers to their Internet service but also their portal lost importance leading to a loss in opportunity to promote AOL Time Warner content. As a further consequence income from advertising is decreasing. 3. 0 BCG Matrix of AOL-TIME WARNER 4. 0 ALTERNATIVES REVIEW AND TURNAROUND STRATEGIES After the merger, AOL Time Warner was indeed the unquestioned number one worldwide media company, especially with the phenomenal box-office successes of Harry Potter and Lord of the Rings.

Some of the anticipated synergies have actually come about and the company has successfully met a number of itsgoals, according to industry observers. On the Internet side, AOL must prove it can maintain its paramount position by signing deals across the entire cable industry while it opens its Time Warner cable pipes to competitors. If it can’t, AOL’s position as the undisputed leader in the consumer Internet business could begin to slip. According to published reports, AOL has more than 33 million subscribers worldwide, 25 million in the U.

S. and analysts expect AOL to sign 6. 2 million new members for the year. AOL’s Pittman believes that eventually between 90 million and 95 million U.

S. homes will be connected to the Internet. In 2001, AOL Internet subscribers spent $33 billion online, 67% more than they spent the year before. America Online has thrived by making it cheap and easy for millions of people to get onto the Internet using a standard open-access phone line and modem.

With all of the hype about broadband, nearly all of AOL’s current subscribers still use dial-up " narrowband" connections, which are far too slow to accommodate the growing demand for rich media that consumers increasingly want from the web. 4. 1 AOL-TIME WARNER TURNAROUND STRATEGY The problem faced by Time Warner after its merger with AOL is an issue which merits discussion. The AOL-Time Warner merger in 2001 resulted in the largest media company in the world. AOL joined hands with Time Warner to create synergy between its online businesses and Warner's media business.

Two significant factors affected the post merger company. One, the dot-com burst meant adverse effect on AOL’s advertising revenues. And two, dial-up subscribers decreased thereby affecting revenues and overall profitability of AOL. A key element in the turnaround strategy should be to offer free content on its portal. This strategy will benefit AOL in attracting more online users and advertising revenues. When AOL began operations it soon became the leading company for-pay online subscriber service, bringing easy-to-use Internet service to more than 30 million users.

AOL was mainly based on around its dial up business. With customers shifting to broadband, AOL was losing subscribers rapidly. The dial-up segment though profitable, was declining in revenues having lost 2. 6 million subscribers in a period of one year. The share price of AOL Time Warner fell by 60% after the merger. The merger was heavily criticized from all quarters. Growth in advertising business came with AOL establishing itself as a support service rather than an internet access provider. Seeing AOL’s successGoogleentered into a global advertising partnership with the AOL.

Google acquired a 5% equity stake in AOL for US$ 1 billion. In broadband, to be able to beat the competition they should be the first organization to define the category of streaming broadband, bringing relevant content and relevant programming into the broadband household so as to let people search for the video andmusicthey want to view and listen to. Provision of other a la carte and premium services, such as being a place for people to store pictures, documents and e-mails they create or receive while they're on the Web. It makes sense.

What people want is all their assets available all the time, regardless of where they are. This is especially important for multichannel users, who will be a larger and larger portion of our customer base. Part of the day, people will need to access AOL from their laptops or at home on high-speed DSL or cable, or a smart phone orcommunication-enabled PDA. The organization should be re-energized. There should be a reaffirmed commitment, a new management team on the field. Positioning the brand and regaining trust are all smart things to do and it will serve as the litmus tests for the decisions to be made.

Now, they must be able to recognize emerging trends and stake out our role in them before they take hold among consumers. The overall success of this business long-term will be their ability to integrate best-in-classtechnologyand programming and create compelling value for each of its targeted customer segments. As a technologist, could you ask for a better role? Every decision matters. 5. 0 CONCLUSION The credo of the combined AOL Time Warner was synergy, the idea that the companies would be greater than the sum of their parts because each of the divisions would help market the others.

But the dream never materialized. The fast-growing AOL online service was supposed to be the juggernaut that would cause the whole company to grow at 30 percent a year. It turned out that AOL was unable to sustain its own growth rate, much less carry Time Warner. In the end, however, the true success of the AOL Time Warner merger will be won or lost, on the company’s ability to leverage its promising collection of cable networks into something more than just a way to see the latest episode of miniseries.

That will only be done by bringing AOL’s online expertise into alignment with Time Warner’s stable of media properties, and adding a broad vision of the next chapter of the Internet. This means being the first to create an invisible high-speed grid to deliver interactive services and entertainment to consumers without muss or fuss … anywhere, anytime, over any device. If AOL Time Warner can do that, the company may be able to create the most ironclad and lucrative relationship with the consumers of the future. "