

Current trends



High-Tech organizations are in competition of innovation and evolution, capturing the market share by providing unique product or service. Recently, AOL announced a value added service available to its subscribers and advertisers. The new service develops a specific function to enhance the search engine, which enables automatically classifying matched search results by topics. It increases the efficiency of gathering relevant information, and reduces the time to go through a long list. Furthermore, AOL shifts their focus from AOL members to non-AOL members in order to broaden their service scope.

To advertisers, they concentrate on providing value as well as new revenue streams, as Gerry Campbell, VP and general manager of AOL search and navigation said: " We're stepping into a couple of new ways to monetize our search and allow advertisers to touch our members in relevant ways."

Following this strategy, they conduct " Ingenio's Pay-Per-Call" plan to attract their clients by a profit-related service. Above event brings us to analyze AOL's business risks and opportunities, and evaluate its aggressive growth strategy through the study of business models.

Issue Analysis

Labeled as an aggressive growth business in IT industry, AOL's up-dated unveiling is not out of our expectation. However, its business strategy should be carefully analyzed through the following two dimensions. The first one is operation risk, which includes two perspectives in AOL's case. AOL provides value-added search to benefit its members as well as non-members without raising its service fee. Its capability is firstly taken into question.

The purpose of investing in technological development is doubtless to generate multiple revenue streams. AOL has experienced unwise competition strategy of providing free service, which caused failures because of its inability to handle growing demand that resulted in heavy lawsuits. Once again, AOL extends its new search efforts by keeping the charge of previous costs. Moreover, in order to retain old customers and capture new entrants, they need not only effective advertise, but putting new promotion plan, which lows their profit at least in a certain period.

Furthermore, customer complaints may impede the smooth shift of adjusting service fee later. High quality and low cost are most consumers' concern about their choices. Various online selections are easily touched nowadays. Consumers may change their options immediately if there are unfavorable signs occurring. Even small improper change would challenge customers'loyaltyand commitment. Previous high quality service always results in high customers' expectation. Every step the organization would make in the following should exceed the past service quality, rather than bogging down or even going back.

Competitive risk, on the other hand would exam the value of the new development. AOL is facing an intense competitive market, as they share the pie with Microsoft's MSN, Google, and Yahoo. All of them possess the sophisticate search system, and have become popular among users. AOL introduces new function in old service at a time when most online users are already accustomed the old version. Changes are relatively hard because of customers' existing habits and potential resistance. To the new service provided to advertisers, it is a significant distinction. It expends the area that

connects the offline business and online business by a phone-based system. The value of the platform is to increase the local advertising market, and at same time fill the gap of two business types.

Recommendation and Conclusion

Firstly, business model would be the good guidance to direct AOL's future plan and strategy. Concept, value and capability are three key elements that should take into consideration in order to reduce both operation and competition risks. Enhancing product or service is the way many online companies use to evolve their business model over time, while the capabilities of conducting such enhancement should be carefully measured. AOL may offer advanced customer-oriented service rather than technical development.

Secondly, building a risk analysis sheet to list all potential negative effects would also give a clear vision about the new strategy, as well as rating the practicability of new plan. Using revenue and cost models would give the controls and decisions on how much service fee should be charged; how flexible the fee adjustment could go; what is the estimated profit/loss to provide this service. Thirdly, AOL should try to broaden its customers through technological advantage rather than price treatment they are doing now. They could seek an efficient way to spread its new search function by focusing on specific users who might be suffering the massive information listing, and would be appreciate a more effective search system for their professional purpose.

AOL's new actions deliver the idea of new developing approach. It will absolutely attract some or large users' attention, and its customer-oriented strategy in providing and enhancing services would contribute to its good reputation in E-business companies. Developing an appropriated business model for its future growing and renewing would strengthen its further expansion, and increase its adaptation in the competitive environment.

Reference:

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