

## **Is AOL Time Warner taking over the world?**

Jina Kim, 3/11/2003

\*Unless noted otherwise, all articles are from the *New York Times*.

Every America Online commercial presents an easy, family-oriented Internet service, but the actual picture is not so benign. We must be wary of AOL Time Warner. Someday, while we're sleeping, it just might become dictator of the web service and entertainment industries.

AOL has its hand on every aspect of on-line entertainment. In "State of the Art; the Internet as a Jukebox", David Pogue reports on America Online's new MusicNet service, which was recently unveiled (2/6/2003, G1). According to Pogue's article, MusicNet is "clean and easy to use, and AOL customers can savor the simplicity of being billed for music on their AOL statements." Although other companies, such as Pressplay and Rhapsody, offer similar services, none have the name and audience that AOL does. AOL exploits its large consumer base to become a giant influence in its entire industry.

Television is the next target. AOL plans to introduce its own version of TiVo, a personal video recorder. The company's system, called Mystro TV, is "AOL Time Warner's gambit in an imminent battle over the future of the television business" (3/10/2003, David Kirkpatrick, C1, "AOL Is Planning a Fast-Forward Response to TiVo"). Already, AOL offers an HBO on-demand channel with fast forward and rewind.

Like computerized personal video recorders (TiVo), Mystro TV uses a cable system to allow audiences to watch programs on their schedules, with fast-forwarding and rewinding capabilities. AOL hopes to sell Mystro services to other cable operators, making it the essential bridge between television networks and viewers. Commercially savvy, AOL's Mystro also gives television networks control by only allowing users to

reschedule at certain times and creating ways for networks to insert commercials. These features will help Mystro win cooperation of show creators, networks, and studios, which are worried about this possible “revolution” in television.

These two examples show how the technology industry is evolving. New developments spring up, and an innovative upstart company rises. However, they soon decline as older companies, such as AOL, with a larger consumer base reproduce the technology and sell it to their consumers. AOL users stick with the company's new service because as Pogue mentioned, it is more convenient. The *Wall Street Journal* reported that TiVo Incorporated, which produces TiVo, experienced a fiscal net loss of \$32.5 million (3/7/2003, B5). On the other hand, AOL is alive and well: America Online will promote its new product AOL Broadband through BBDO New York (2/10/2003, C8, Stuart Elliot, “AOL Narrows the Field in Search for an Agency”).

Kirkpatrick mentioned in his article that “AOL Time Warner already has a track record of directing the technological course of the entertainment business.” Turner Broadcasting and WB, also owned by the company, are the largest group of networks. Warner Brothers is the largest television studio; Time Warner Cable is second-largest cable operator and most advanced. And AOL is still growing.

Technology is progressing so quickly, that even industry cannot keep up. High demand leaves no time for new companies to start and build themselves. Rather, established companies like AOL Time Warner continue expanding their services and tightly holding onto their consumers. This discussion boils down to my initial question, is AOL Time Warner taking over the world? My best response is “The world, probably not, but entertainment, possibly.”