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Ex-AOL exec calls Facebook new 'walled garden'

By Ryan Nakashima on May 01, 2012

BEVERLY HILLS, Calif. (AP) — A former AOL executive says Facebook is doing what the Internet portal should have done: It is keeping its structure as a "walled garden."

For years, AOL tried its best to keep users hooked with exclusive articles, chat rooms and other features reserved for paying customers. Facebook likewise keeps posts and photos within a group of friends or acquaintances who sign up for accounts.

"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."

Pittman, earlier a founder of MTV, said AOL's decision to break down its walls beginning in 2004 "probably was the downfall of AOL." He'd left AOL in 2002, before it reached that juncture, but he said Facebook is unlikely to make the same mistake.

"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."

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

Facebook is certainly valuable. It is expected to offer shares to the public this month for the first time in an offering that could give the company a market capitalization of more than $100 billion.

Once the country's largest Internet access provider, AOL Inc. started giving away its AOL.com email accounts for free in 2006 just to draw traffic. It had little choice as Internet users increasingly abandoned dial-up connections for broadband. AOL lost millions of subscribers who had been paying $19.95 a month.

AOL then turned to online advertising, which makes up the bulk of its revenue and growth prospects today.