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## **Yet Another September: AOL, World of Warcraft, and Niche Markets**

Ray op'tLand

Since its introduction in November 2004, *World of Warcraft* (WoW) has exploded in popularity within the sphere of Massively-Multiplayer Online Role-Playing Games (MMOs), dominating the field with over 11.5 million monthly subscribers (Woodcock, 2008). It has become a pop-culture phenomenon, parodied in *South Park*, promoted by William Shatner, and fiercely defended by its proponents. However, much of the current analysis of the game itself has been on the activities and functions that occur within its virtual space (Ducheneaut, et. al., 2006). The exogenous processes by which WoW came to dominate in its sphere have been under-explored, and the effect their marketplace entry had on established groups within that sphere has been neglected. In this paper, I propose that similarities to what WoW has accomplished in the MMO market can be found in the rise of America Online (AOL) in the early 1990s, and its effect on the existing service providers and systems of the nascent Internet. Exemplifying this is the opening of UseNet to its users in 1993, the infamous “September That Never Ended.”

While on the surface there may be few commonalities between the two other than their use of Internet protocols, both AOL and WoW are comparable in a number of essential empirical characteristics that they share. Chief of these is their relative size compared to the market that they now dominate. Both AOL at its peak, and WoW currently, were an order of magnitude larger than their nearest competitors. Concomitant to this is the speed with which this dominance was achieved, in both cases coming in under 5 years from the point of entry into the new market. The third point of comparison would be the business model that they undertook: provide a service in return for a low, recurring monthly fee, in the neighborhood of \$20 per month. (AOL initially had a per minute charge, but changed to a flat monthly fee in 1996 in order to stave off competitors in its market). At this price point, the product is able to position itself as a high-return commodity, with “unlimited” usage during the course of the month. This compares favorably with other leisure activities such as moviegoing, where the same \$15 only covers the ticket price for one person for the 2-hour duration. While this monthly fee is the common practice in the MMO market, it does distinguish AOL from other potential sources of comparison, products that are contemporaneous to WoW yet offer their service in “free,” user-data-driven models such as Google and Face-



book. Finally, by examining the historical accounts of the rise of both AOL and WoW, we can see how they were able to accomplish this not through any superior technology or financial model, but by innovating in the social and cultural conditions that existed in their respective markets.

### ***AOL and World of Warcraft: A comparative early history***

While in recent years AOL has become emblematic of the millennial dot-com busts, after its spectacular acquisition of Time-Warner Inc. in 2001 and subsequent tumble in the stock market (Swisher, 2003; Chapman, 2006), the early history of the corporation provides a vastly different picture than the one popularized in the Internet era. Beginning as CVC, Control Video Corporation, in 1982, they sought to provide downloadable content for the Atari 2600 VCS (Swisher, 1998; Stauffer, 2000). This idea came to an end as the home video-game market collapsed in 1983 and 1984, exemplified by the infamous release of the *E.T.* video game in 1983 (Wolf, 2008). Reforming as Quantum Link Corporation in 1985, they began providing online services to Commodore 64 users through a “portal,” a simplified entry screen for the user to select from various categories (Swisher, 1998). From 1987 to 1989, they transitioned away from the failing Commodore platform and became the sole Internet service provider available for the Macintosh brand of computers made by Apple. It was here that they re-branded their product America Online. After a falling-out, they shifted platforms once again, and Quantum Link began providing AOL services for Microsoft’s DOS-based computers (Swisher, 1998; Stauffer, 2000).

It was into this sphere that AOL arrived, one already dominated with established firms such as CompuServe and Prodigy (Abbate, 1999), as well as private service providers within corporations and university campuses. However, like many invasive species finding themselves in a new ecosystem, they soon found a niche within which they could thrive. After re-branding the company with the name of their leading product, AOL began an aggressive marketing campaign consisting of the mass-mailout of floppy disks containing the software that would connect users to AOL’s services (Stauffer, 2000). The near-ubiquitous presence of these disks was ultimately not a technical innovation, as technologically they were well behind their more established competitors, but rather a social innovation, that allowed them to fully exploit the “fitness landscape” (Nelson & Winter, 1982) they found themselves in.

Following the launch of the floppy-disk campaign, they began to aggressively overtake their competitors. At that time, CompuServe was the lead player in the domestic US market with 1.5 million users, Prodigy was second with over 450,000 users, and AOL was a distant third with below 200,000. The floppy campaign began an era of double- and triple-digit year-over-year

growth. During the eight-year period from 1993 to 2000, their yearly growth ranged from a low of 36% to a high of 197% (Stauffer, 2000). Just four years after the start of the campaign, AOL was able to purchase CompuServe outright, which it maintained as an independent brand due to its popularity in the European market. AOL's growth continued unabated until the aforementioned acquisition of Time-Warner Inc. in 2001 (Swisher, 2003).

By comparison, *World of Warcraft* also entered an established market that was dominated by a number of established firms. The software company behind WoW, Blizzard Entertainment, was originally treated with varying degrees of skepticism and celebration upon the announcement in 2001 of its intention to enter the then-heavily contested MMO market. Due to the lead times in bringing a product to market within that sphere, they were not ready to launch to the public until November 2004 (a date timed strategically to take advantage of Black Friday, the post-Thanksgiving shopping rush in the United States). At the time of their launch, the largest player in the market was *Everquest* (EQ), the 5-year reigning champion of the industry, produced by Sony Online Entertainment (SOE). EQ's subscriber base at that time was just below 500,000 users a month (Woodcock, 2008), all paying the same \$14.95 USD monthly charge to play the game. SOE had also just rushed a sequel of the game to market, *Everquest 2*, two weeks prior to the launch of WoW. EQ2 had garnered some degree of critical accolades for novel additions to the genre, but had nowhere near the user base of the original game, due to its steep system requirements, and an audience split between two versions of the same game.

Within 3 months, *World of Warcraft* had equaled the user-base of *Everquest*, and its growth continued unabated, setting new peak sales numbers every month (Ducheneaut, et. al., 2006; Woodcock, 2008). Oddly enough, this was not due to a cannibalization of the existing users of the other games, as EQ's user numbers did not begin to appreciably decline until the following year. Rather it represented Blizzard and WoW bringing in substantial amounts of new users to the MMO market that would not otherwise have participated within it. Much like AOL's floppies, this too was a social innovation. By leveraging their customers from their existing games, where Blizzard had a longstanding reputation for a quality product, and by providing easy means of access to potential new customers, WoW was able to achieve and sustain incredibly rapid growth. Chief amongst these was the downloadable free-trial, which enabled full access to the game for a limited period of time (10 or 14 days), and the inclusion of "buddy keys" within purchased copies of the game itself, encouraging users to share their copy with friends, allowing them to play together for a 30-day period before having to purchase their own copy. Also to be noted was their near-exclusive claim to the MMO market amongst Macintosh users, whose large market share of artists and

college students (Kahney, 2002) allowed them to leverage the entirety of that lucrative market.

### ***Entering the niche***

Mapping a conceptual model to the empirical data has proven to be somewhat problematic. However, there is a framework of systemic corporatization in the private sphere that is done from a sociological standpoint that may be illuminating to what AOL has accomplished. George Ritzer's work in *The McDonaldization of Society* (2000) provides a systematic breakdown of the processes by which this exemplary corporation of 20th century modernity achieved its success. However, the very concentration on the brick and mortar trappings of modernity does not allow it to address all the issues pertaining to Internet-enabled firms properly. Alan Bryman's *Disneyization of Society* (2004) builds on Ritzer's work, and brings that analysis to bear on a post-modern, media-centric company.

Bryman also recognizes the negative connotations that Disneyfication has acquired, referencing the cultural products that are produced by the Walt Disney Corporation, and how they appropriate and "bowdlerize" the cultural products of other societies. Seeking to distance himself from this pejorative context, he aligns himself with Ritzer's "-ization" of the term (2004, p. 5). A similar need is evidenced here, as any comparison with AOL, however accurate, will be loaded with negative connotations. However, as Lakoff and Johnson note, "new metaphors... pick out a range of experience by highlighting, downplaying, and hiding" (1980, p. 152). By focusing on what is meant to be similar within the metaphor that is chosen, those salient characteristics that are most applicable can be brought to the fore.

Both McDonaldization and Disneyization are systemic processes that are representative of their influence on the socio-cultural landscape that surrounds them (Bryman, 2004, p. 161). So too is the process by which AOL undertook its corporate colonization of the web. And just as Bryman's typology of the process deviates somewhat from Ritzer's due to the different nature of the enterprises (Bryman, 2004, p. 2-5), so too do the processes that AOL undertook. They are not directly analogous. But by breaking down the process into its component stages we can see the extent to which *World of Warcraft* mirrored AOL's rise.

The 4-stage processes by which both AOL and *World of Warcraft* came to dominate their respective niches occurred in the following manner: the simplification of technical requirements, the saturation of the market with the software, the engulfment of traditional groups, and the establishment of a new paradigm by nature of its omnipresence. Each stage in turn leveraged the

achievements of the previous stage to develop and sustain growth. As with Bryman's process of Disneyization (2004), the stages produce a mutually-reinforcing *system*. Looking at each stage in turn we can see how AOL and WoW fit within this model.

### *1) Simplification of technical requirements*

Both firms entered their target market with a user experience that was carefully constructed to the largest degree possible. There was a strong intentionality that was evinced in the design process (Feng & Feenberg, 2008). AOL provided a simple and accessible interface that obscured the technical details of the underlying process to a degree, and provided an easy-to-use graphical interface. As noted previously, WoW eschewed the steep technical requirements of its competitors such as *Everquest 2*, and created a highly stylized artistically rendered game-space. They also courted a broader base of users by allowing Macintosh and Windows users to play simultaneously. Finally, they also simplified the user interface, hiding the more esoteric components from novice users and facilitating easy play within their space as much as possible. Contrary to the early designers of MMOs which had an almost adversarial relationship with their user base, WoW was very accommodating to the novice user. In both instances this simplification and obfuscation is symptomatic of Borgmann's "device paradigm" of technological interaction (1984).

### *2) Saturation of the target market*

As noted in the historical overview, it was here that the largest innovations were made by both AOL and WoW. Following Nelson and Winters's (1982) notion that an innovation can occur via a process of adaptation or diffusion, wherein a process that is new to the market or firm (but not necessarily novel outside that sphere) may be seen as innovative, the marketing tactics that were employed that leveraged pre-existing social networks can be seen as the greatest single factor in both firms' respective successes. By ensuring that these new users found the easy-to-use environment created in the first Stage once they decided to join, they were able to maintain a high-level of retention among them.

### *3) Engulfment of traditional groups*

This high level of retention played into the firms' ability to achieve explosive growth. By not experiencing the same level of "churn" that was typical in their markets, and by continuing to reinforce the number of new users that were entering the market by the use of the social innovation techniques

in marketing that they employed in the second Stage, the firms soon found themselves not only surpassing the traditional giants of their market, but dwarfing the competition in monthly subscriptions (Stauffer, 2006; Woodcock, 2008).

#### *4) Establishment of new paradigm*

Finally, as AOL and *World of Warcraft* came to represent the vast majority of users in the markets that they had entered, and were often the first point of reference in these markets—by which their users judged all the competition—a new Kuhnian paradigm shift occurred within their respective spheres. From that point on, they began to dominate the discussion amongst both the public and academia, and were often assumed to be representative of that market as a whole.

#### *A September that never ended...*

All time since September 1993. One of the seasonal rhythms of the Usenet used to be the annual September influx of clueless newbies who, lacking any sense of netiquette, made a general nuisance of themselves. This coincided with people starting college, getting their first internet accounts, and plunging in without bothering to learn what was acceptable. These relatively small drafts of newbies could be assimilated within a few months. But in September 1993, AOL users became able to post to Usenet, nearly overwhelming the old-timers' capacity to acculturate them; to those who nostalgically recall the period before, this triggered an inexorable decline in the quality of discussions on newsgroups.

(On-line hacker Jargon File, version 4.4.7, 29 Dec, 2003)

As Eric S. Raymond writes in the Jargon File entry on the Eternal September, the entry of a new player to an established market can be the source of much upheaval. The effect that AOL had on the extant systems of the Net is well known. Whether *World of Warcraft* will continue to follow in AOL's footsteps, as they did when entering the MMO market, remains to be seen. The long-term implications that this may hold for MMOs is also up for debate. Just as nine years later, AOL is not the Internet, will the same be true of WoW for MMOs?

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