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Hawaiian punch! A paywall showdown in Honolulu

By Justin Ellis

It looks like Honolulu just turned into a two-paywall town. Last week, the Honolulu Star-Advertiser began charging for online content. And it's a hard wall, too: no monthly allowance for stories like, say, The New York Times offers (though breaking news, AP stories, blogs, photos, weather, traffic, and obits will remain free).

Combine this with the fact that the Honolulu Civil Beat, the web-native site that sees itself as a newspaper-esque competitor, is also a subscription-based news site, and things are setting up for a good, old-fashioned news war in the Pacific.

Consider what Star-Advertiser publisher Dennis Francis wrote in his letter to readers: "No other organization can match the Star-Advertiser's breadth and depth of Hawaii news, and revenue derived from digital subscriptions will contribute to a continuing investment in journalists and technology."

The Civil Beat, for its part, also seems up to the challenge. Editor John Temple, dissecting its competitors's circulation stats earlier this week, concluding with this: "Yes, the Star-Advertiser's audited numbers are higher than the audited numbers of the Advertiser. But that's not saying much." Meanwhile, Civil Beat president and co-founder Randy Ching made his own appeal, asking readers whose side they're on — #TeamStarAdviser or #TeamCivilBeat. "Why pay for the newspaper," he asked, "when you can get Civil Beat?"

OH, SNAP!

Fun aside (I'm not trying to gin up a media battle. That's not our style), the new reality has created an interesting outcome from the news-innovation perspective: Oahu will effectively become a laboratory for studying the effects of a paywall on a single, fairly concentrated market.

The Civil Beat is betting on a digital-only model that shuns advertising, meaning that it's looking to make up its revenue off subscriptions or by developing other products. (Of course, it also has the benefit of backing from Pierre Omidyar, who has deep pockets and a commitment to making the Civil Beat's model work.) Civil Beat is already trying to maneuver itself to take advantage of Honolulu's new media scene: It's introduced a new $9.99/month subscription offer, which cuts their normal price by half. It's also touting its adless-ness, its apps, and its recently established D.C. bureau.

The Star-Advertiser, meanwhile, is playing the role of the incumbent — and the advantages it has are largely based on that incumbency. It's already got advertisers and a subscriber base — one that's already used to a little bit of change thanks to the June 2010 merger of the Honolulu Star-Bulletin and Honolulu Advertiser — and it's still very much connected to print. At the same time, though, it's trying to attach a digital model to its brand. The breakdown of its digital subscription plan follows a tiered system we've seen before, with online access for existing print subscribers, a print + digital plan for $19.99 a month, or a digital-only plan for $9.95 a month. But that digital-only access number varies as the Star-Advertiser has adopted a kind of zoned monthly subscription model for online, with Oahu residents paying $9.95, other Hawaii residents paying $4.95, and out-of-staters paying just $1.95.

Interestingly enough, Dennis Francis name-checks the University of Missouri small-market paywall study I wrote about in the spring as an indicator that online paid content is finally becoming a viable revenue stream for publishers. The findings from that study, as well as from places like The Augusta Chronicle and the Columbia Daily Tribune, seems to suggest that digital subscriptions may work better in markets where capturing even a small portion of your audience online will help goose revenues significantly.

And what better way to find out if this idea works than by giving readers two pay sites to choose from? It's almost too-perfect of a scenario for a publisher: a relatively small, isolated population with a limited number of local news outlets. Obviously we can't forget that Honolulu — and the rest of Hawaii, for that matter — is like any media market, with a collection of local TV stations and public radio stations (as well as other outlets like The Maui News). In that sense, it's not like there's a stark choice for residence between pay site A or pay site B.

But how often do we get to see two media organizations in the same community engaging in something like Journalism Stratego, a real-time experiment with new business models? It's about as close as we may get in the US (let's not forget the iron "pay curtain" going on for Slovak media) to the type of experiment editors and publisher are eager to see play out: What happens when all the news organizations in an area put up a paywall?

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