AN EXPLORATORY STUDY OF THE

CHANGING MEDIA ENVIRONMENT

ON THE ISLAND OF O‘AHU IN THE STATE OF HAWAI‘I

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ABSTRACT

Economic models of mass media in Hawaii are changing; new services, new models of ownership and new methods of transmission are being introduced. These changes bring about new economic models that are different that the traditional models that used to pay for mass media. Very little research exists on these changes. This research will look at how mass media economic models are changing and how the media environment in Hawaii is changing. An in-depth interview of 15 experts in the different fields of mass media: television, radio and print, was conducted to gather data for this study. Each of the experts was chosen to represent a different type of mass media in Hawaii. This exploratory study shows that more traditional mass media is shifting its content to the web to save costs and provide new services.

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CHAPTER 1

INTRODUCTION

Media today in the United States is changing; print and over-the-air radio and television, as we have known them, are becoming things of the past. With the high costs of distribution for traditional media, an ever increasing amount of media is moving to the Internet for delivery. With online media becoming more mainstream, this also means the days of free or low-cost media might be coming to an end. Publishers are putting more and more content on the Internet; books are becoming electronic and need readers to be able to read them. Consumers in smaller rural markets have to subscribe to either cable, satellite, or high speed broadband service to get their television. The methods of paying for media are changing, costs are also changing this is changing how the consumers gets and pays for their mass media.

Having equal and open access to media is vital to the public interest of the United States. In a democratic society, equal access to the open media is vital and if this access is changing it is important that policy makers be made aware of this. This will allow policy makers to create policy to keep media access available to all citizens of the United States. Everyone should have equal access, no matter one's economic status or ability to pay for media.

This study looked at Hawaii's changing media environment. Using in-depth interviews with media experts from the different mass media types on the island of Oahu in the state of Hawaii, this exploratory study found how Hawaii's media environment is changing.

This research looked at two questions: “What are the different models used in Hawaii to pay for media?” and “What do the media experts think will be the future models for paying for media in Hawaii?” These questions provided insight on how media in Hawaii will be paid for in the future and indicate how paying for mass media is going to change if less of it is paid for by advertiser support and by shifting the payment to consumers. This information will help shape how media policy will need to be changed if the media environment in Hawaii is also changing. This study also looked at how the media producers of today think that media will be paid for in the future and helps producers of media know which models are likely to succeed and which ones might not do as well.

The purpose of this study is to understand the different models of revenue that producers of mass media in Hawaii will be using in the coming years, based on interviews with media experts in Hawaii. With the advent of the Internet and the high cost of traditional mass media, economic models of media are changing away from advertiser-supported content. Marshall McLuhan’s theory of Media Ecology provided the conceptual framework upon which this thesis was based. McLuhan’s theory states that media becomes part of society’s life and it is not aware of how much media becomes part of its life until it is taken away, much the same way fishes are unaware of water until they are removed from it (McLuhan, 1964).

McLuhan believed that “the medium is the message,” implying that the way information is presented is at least as important as the information itself. To McLuhan the two were one and the same. He also believed that after a new communication technology is introduced, we no longer see it as a technology, but instead as just part of

our lives. To the point that this new technology becomes an extension of our senses, McLuhan wrote, "All media, from the phonetic alphabet to the computer, are extensions of man that cause deep and lasting changes in him and transform his environment" (McLuhan, 1966, p. 13).

McLuhan divides human history into four distinct periods: the "tribal age," the "age of literacy," the "print age," and the "electronic age." Each period had a profound impact on humans and affected one of man's five different senses.

> For years I have been studying the various media of communication as extensions of our various senses. Each sense has a *grammar* of its own, well understood by the painters, musicians, etc. I'm very much concerned to establish contact with those who have pursued this approach to human technologies as externalizations or extensions of our senses and our faculties (McLuhan, 1964, p. 127).

In the 1960s and 1970s McLuhan's theories took off, but not everyone agreed with McLuhan. Neil Postman did not believe that communication technology was the godsend that McLuhan did; he believed that it was more like making a deal with the devil and you were never sure what the deal might turn out to be. "Technology giveth and technology taketh away….A new technology sometimes creates more than it destroys sometimes, it destroys more than it creates. But it is never one-sided" (Postman, 1990, p. 73).

With the Internet, McLuhan's ecology theory is getting renewed interest. McLuhan died in 1980 and did not have an idea where computers would fit into our communication environment. He believed that:

> There's nothing at all difficult about putting computers in the position where they will be able to conduct carefully orchestrated programming of the sensory life of whole populations. I know it sounds rather science-fictional, but if you understood cybernetics you'd realize we could do it today. The computer could program the media to determine the given messages people should hear in terms of their over-all needs, creating a total media experience absorbed and patterned by all the senses. We could program five hours less of TV in Italy to promote the reading of newspapers during an election, or lay on an additional 25 hours of TV in Venezuela to cool down the tribal temperature raised by radio the preceding month. By such orchestrated interplay of all media, whole cultures could now be programmed in order to improve and stabilize their emotional climate, just as we are beginning to learn how to maintain equilibrium among the world's competing economies" (Norden, 1969, p. 27).

There was no Internet as we know it today, but his theory was right— this new technology has become an integrated part of our lives and it has extended our "central nervous system" even more than television and radio ever did. We are able to communicate with others throughout the world, instantaneously through computers and cell phones (Fiore, 2005). We indeed live in a global village, one interconnected by the Internet. So McLuhan was prophetic about the global village. With the changing economic models, if the theory of McLuhan is correct, consumers will still be willing to have their media that has become such a large part of their lives.

CHAPTER 2

COMMUNICATION POLICY

The regulation of communication policy has been the driving force behind how media has been owned, delivered and paid for. The United States government has dictated who can have a license to deliver media and in what areas. The recent changes to communication policy have been one of the reasons that the economic models have begun to change. Below you will find a quick discussion of the communication policies and how they have changed over the years to the policies that we have today.

"The United States is the world's model for permissive broadcasting regulation and provides a general model for how other countries view the airwaves" (Taylor, 2008, pp. 23-31). The beginning of United States TV regulation can be found in the first amendment of the American Constitution: "Congress shall make no law… abridging the freedom of speech or the press." Still, the United States model of regulation does not provide for broadcast systems free of all governmental regulation.

Radio Act of 1912

The *Communication Act* that we have is not a one-time written document that has guided the United States from the start, but rather a long series of attempts by Congress to respond, often ineffectively and belatedly, to rapid changes in communications technology. It became clear as early as the mid-nineteenth century that traditional notions of a free press might prove inadequate for emerging technologies (Sickel, 2004). In the 1890s it was proposed to commit public funds to the creation of a transcontinental subterranean telegraph system (Aufderheide, 1999). In 1912, the sinking of the HMS

Titanic, a disaster that was widely believed to be related to the lack of coherent distribution of radio frequencies along the eastern seaboard, which prevented the ship's distress signals from being effectively relayed to maritime safety agencies, caused the US government to write its first Communication Policy (Taylor, 2008). Congress was concerned with radio technology of increased military and maritime coordination primarily as a means of achieving public safety, rather than as a format for commercial news and entertainment. The *Radio Act of 1912* required that all radio transmitters and operators had to be licensed by the federal government (CyberTelecom, 2012).

Radio Act of 1927

By the 1920s, America's airways had become cluttered with radio stations that overlapped and drowned each other out and with over a thousand unlicensed radio stations broadcasting across the nation. These problems lead to Congress passing the *Radio Act of 1927*. Congress also created the FRC (Federal Radio Commission) to oversee the expanding radio industry. The mission of the FRC was to assign frequencies and make radio stations serve the public interest with their programming. A large percentage of governments today use similar justifications for government regulation of broadcasting (Taylor, 2008). Still, the Interstate Commerce Commission, the Department of Defense and the Department of Commerce controlled the regulation of Communication. A few years later pressure to consolidate all telecommunications regulation for both wired and wireless services prompted new legislation with a wider mandate (McChesney, 1993). Another one of the important motivations of the *Radio Act of 1927*, according to one analyst (Goodman, 2000), was to modulate the flow of ideas on the radio. The language of the bill protected free speech, but this meant only that indirect

methods would be needed to resist the menace posed by political radicalism. The legal strategy employed by the authors of the *Radio Act of 1927* was to declare that radio was a peculiar variety of a public utility, insofar as it entered the household and hence imposed on the listener. They felt the listener had to be protected from obscenity and profane speech; this was later extended to speech that challenged racial segregation. This sets up who could have a broadcast license and defined their broadcast area. With this act the network/affiliate relationship was formed. This was the only way that a radio producer could transmit programming into many different markets at the same time.

Communication Act of 1934

There was no agency policing the airways and the United States government needed a government agency to fill that role. The government needed someone to police the airways and to make sure that the goals they set were being enforced.

Excerpt from the C*ommunication Act of 1934*:

> For the purpose of regulating interstate and foreign commerce in communication by wire and radio so as to make available…without discrimination on the basis of race, color, religion, national origin, or sex, a rapid, efficient... wire and radio communication service with adequate facilities at reasonable charges, for the purpose of the national defense, for the purpose of promoting safety of life and property... and for the purpose of securing a more effective execution of this policy by centralizing authority heretofore granted... to several agencies and by granting additional authority with respect to interstate and foreign commerce in wire and radio communication, there is created a commission to be known as the Federal Communications Commission (C*ommunication Act of 1934*, p.4).

In 1933, President Franklin D. Roosevelt requested the Secretary of Commerce to appoint an interdepartmental committee for studying electronic communications. The Committee stated that "the communications service, as far as congressional action is involved, should be regulated by a single body." The President sent a message to Congress on February 26, 1934 urging the creation of the FCC (Federal Communications Commission). On June 1, 1934, Senate Bill (S.3285) passed the House and the conference repost was adopted eight days later. President Roosevelt signed the C*ommunication Act of 1934* and it became effective on July 1934 (Sickel, 2004).

Regulating interstate and foreign commerce in communication by wire and radio so as to make available, so far as possible, to all the people of the United States a rapid, efficient, nationwide, and worldwide wire and radio communication service with adequate facilities at reasonable charges… the national defense… promoting safety of life and property through the use of wire and radio communication.

This was the stated purposes of the Act. The C*ommunication Act of 1934* applied "to all interstate and foreign communication by wire or radio and all interstate and foreign transmission of energy by radio, which originates and/or is received within the United States, and to all persons engaged within the United States in such communication or such transmission of energy by radio, and to the licensing and regulation of all radio stations…." The C*ommunication Act of 1934* not only created the FCC but reflected a continuing effort by Congress to both encourage and regulate electronic communication in the United States. The Communication Acts' major intent was to consolidate all federal regulations of such communication within a single independent agency. Although it has been substantially amended several times since its adoption, the C*ommunication*

Act of 1934 still provides the basic institutional structure for the federal governments' regulation of all forms of electronic mass communication, including radio, television, the telephone system, and perhaps eventually aspects of the Internet. Although the general public may have little knowledge of the FCC, the Federal Communications Commission has played a major role in determining what Americans see and hears over the airwaves. That the communications act has survived for over seventy years during a period of intense technological and social change is itself something of an achievement.

Telecommunications Act of 1996

President Clinton signed the *Telecommunications Act of 1996* into law in February 1996. This was the first major reform since the original C*ommunication Act of 1934*. The *Telecommunications Act of 1996* attempts a major restructuring of the US telecommunications sector. The passage of the *Telecommunications Act of 1996* provided a congressional mandate for the FCC to develop policies that would accelerate technological competition and innovation with various segments of the communications industry (Messere, 2004). The *Telecommunications Act of 1996* also required that manufacturers must ensure that products are "designed, developed, and fabricated to be accessible to and usable by individuals with disabilities" when it is readily achievable to do so.

> The *Telecommunications Act of 1996* envisions a network of interconnected networks that are composed of complementary components and generally provide both competing and complementary services. The *Telecommunications Act of 1996* uses both *structural* and *behavioral* instruments to accomplish its goals. The *Telecommunications Act of 1996* attempts to reduce regulatory barriers to entry

> and competition. It outlaws artificial barriers to entry in local exchange markets, in its attempt to accomplish the maximum possible competition. Moreover, it mandates interconnection of telecommunications networks, unbundling, non-discrimination, and cost-based pricing of leased parts of the network, so that competitors can enter easily and compete component by component as well as service by service (Economides, 1998).

One of the potential drawbacks of the *Telecommunications Act of 1996* is that it does not provide for penalties for non-compliance. It instead relies on the firms' own incentives to drive them to choose according to what the *Telecommunications Act of 1996* expects. In this respect, the *Telecommunications Act of 1996* may have underestimated the ability of incumbents to stall the implementation process of the *Telecommunications Act of 1996*. This has also reduced the competition amongst the players by allowing them to own more than one media outlet in each market. This has been one of the biggest reasons as to why the mass media economic models have begun to change. Media producers are no longer restricted to one type of media or only having a single newspaper or station (radio or television) in a single market. This drastically changes how media is delivered and paid for.

The history of the communication policy has been tied to how we have received and how the cost of the media has been paid for. With the *Telecommunications Act of 1996*, media outlets being able to compete in new markets and use new technology, this has led to changes in how media is delivered and paid for.

MEDIA HISTORY

Hawaii is a relatively small market for mass media, but also one of the most isolated. Other states have markets that can receive television and radio signals from their neighbors and newspapers are easily transported from one market to another. Hawaii up until the last ten to twenty years was a market of its own, newspapers and television programming took days to reach the islands. This led to Hawaii having more media outlets than other markets of the same size. Hawaii has over 100 radio stations, 16 television stations and 13 daily and weekly newspapers (Wikipedia, 2013).

Before one can discuss media today, it is best if the reader has a little history of media in general. Mass communication goes back to the 1440s with the invention of the printing press. Before that every printed document needed to be hand written. To hand write each document could not be considered written word for the masses. In the 1600s, the first newspaper was printed using a printing press, and with it came the ability to provide a message to a large population in a cost-effective manner. In the United States, the cost of newspapers has been mostly underwritten by advertisers; magazines have been made and sold at a fraction of their cost due to advertising; and television and radio over-the-air broadcasts have been entirely financed by advertisers. Other countries have used other models, but that is beyond the scope of this paper. In the last 15 to 20 years, the Internet has provided unlimited types of free forms of mass communication news, entertainment, and books, just to name a few (Sauerberg, 2009).

Over the last few years, the number of different types of mass communication competing for the public's attention and the high costs of distribution has made it hard to make a profit on advertising dollars alone. This is a large change from the model that has been used in the past, where almost the entire cost has been subsidized by advertising.

Not being able to have advertisers finance the media will do one of two things: make it too expensive to provide newspapers, magazines, television or radio and drive these producers of media out of business, or shift the costs to consumers, making it much more expensive to receive traditional forms of mass media.

Books

Before Johann Gutenberg and the printing press in the 1440s, the price of books was such that only the most well-to-do parts of society were able to afford them. They were handwritten and because of that very hard to obtain (Sauerberg, 2009). In 1455, with the invention of the printing press and the printing of the Gutenberg Bible, the average person was now able to afford books of their own. The book was no longer a single object, written or reproduced by hand on request. The publication of a book became a business requiring capital for its realization and a market for its distribution. The cost of each individual book was lowered enormously, which in turn increased the distribution of books (Sauerberg. 2009).

But is this still the case? In the last 20 years the price of producing, printing and distributing books have skyrocketed. Paperbacks that a few years ago cost $1.50 now cost upwards of $9 to $10. "Book buyers now must shell out $20, $30 or even $40 or more for hardcovers that decades ago used to cost less than $10" (Dreher, 2008. p.68). There are many costs to publishing a book: the publisher's costs (maintaining a staff of editors, proofreaders, book designers, publicists, sales representatives and so on); the distributor's costs (printing, storage and shipping); the cut that the booksellers take; and what the author receives. According to Christopher Dreher, "the price of printing, shipping and storing of the book comes to just under 50 percent of the cover price and this cost keeps rising" (Dreher, 2008, p. 79).

Newspapers

Up until the mid-19th century newspapers were for narrow audiences and not until then did they become true mass media vehicles. Revenue for most newspapers in the United States has traditionally come from advertisers. Most of the costs paid by subscriptions and newsstand sales only covered the delivery costs of the paper (Ives, 2008). Geoffrey Shao says:

> First published in 1605, newspapers have since thrived even in the face of competition from radio and television. However, recent emergence of the Internet has posed serious challenges to their traditional business models. Newspapers' circulations are declining in most countries while advertising revenues, which have long been a key source newspaper incomes, are shifting their focus to the Internet. The future of print newspapers seems very unclear (Shao, 2008, p. 101).

Over the last few years newspapers have changed to become more appealing to the consumer, adding more photos and color (Thornton, 2009). This means higher printing costs because newspapers can no longer use the same printing press they have used for the last 40 years. They must now buy an expensive high speed color press, with increased running and maintenance costs. Traditional papers have the same problems as the traditional book publishing business: paper, printing and distribution costs have gone up exponentially and continue to do so.

Magazines

Magazines are having similar problems as the newspapers: the high cost of printing and distribution; readers turning to other types of media, such as the Internet and television; and advertisers spending less due to the increased competition for their advertising dollars. Magazine ad revenue in the United States has dropped 26 percent in

2008 and in 2009 it has continued to drop another 24 percent (Clifford, 2009). Magazines in the United States are going out of business as quickly as newspapers are. "In 2008, newsstand sales—the profit engine of the industry—fell 12%. According to Media Industry Newsletter, gross ad pages so far in 2009 have dropped a staggering 22%—that coming off a dismal 2008" (Millard, 2009, p. 42).

Radio

Radio might be the bright spot of mass media. The technology of radio has not changed much in the last 60 years—we still have AM and FM, and the radios from the '50s and '60s still work today. Radio has been able to use technology to cut its costs; computers have taken over the task of playing the songs and commercials (Sterling, 2008, p. 221). This is a huge savings on personnel. One person is able to program an entire station's playback list, if not three or four stations in a single day (Sterling, 1008). With the reduced staffing requirements, a radio station can work out of a small office, reducing costs even more. Technology has also reduced production costs. A single person with a laptop and audio-editing software can make commercials, record announcements and even build entire radio programs (Bohlin, 2006, pp. 12-13).

Television

Over the last 40 years, television has been the undisputed mass media king, with more people consuming television than any other single type of mass media (Pauwels, 2008, p. 15). Television has also been the most subsidized by advertising. Most, if not all, working capital of television has come from selling commercials (Gensinger, 2009, p. 3). Television is also one of the most expensive mediums: There are the production costs (making the program), talent costs, distribution costs (videotape, satellite time,

affiliate air time), as well as the cost of the broadcast equipment and station costs (the physical location, manpower, and electricity).

The average cost of a :30-second spot during each primetime program. The top 10 primetime shows charge over $240,000 for :30 seconds of advertising with an average cost of $142,000 (Cultra, 2011). The numbers only reflect the cost of showing the commercial, not the production costs, talent fees, music rights, and so on. Even with these high costs, the only expense to the viewer is the price of buying a television set and the electricity to power it (Parsons, 2008). In 2009 the cost of broadcasting rose enormously: All broadcasting stations were required to buy new transmission equipment and start broadcasting in digital or risk losing their license to broadcast. Never before have television stations been required to upgrade or stop transmitting. Even with the transition to color it was left up to the station as to when they could upgrade. Most stations upgraded when their markets could support the change to color (Sauer, 2009). A large percentage of the new digital transmitters being put up are serving smaller broadcast areas, leading to fewer over-the-air viewers and more viewers watching television programming over cable television service (Fazel, 2005). The combination of fewer over-the-air viewers and viewers lost to cable television and other forms of media, such as the Internet, videogames, and DVDs, have made advertising-only supported television harder and harder to keep in the black (Teionwitz, 2009). Advertisers are not as willing to pay a premium on television ads as they once were with the increased competition for the advertising dollar (Mandese, 2005).

Viewer-supported television is also an option for paying for television broadcasts, but even PBS is not able to support itself by viewers alone, without help from the local

market (cable franchise fees) or the government (the Corporation for Public Broadcasting) (Bullert, 1998).

Television		
Time Warner Oceanic	Basic: $49.95	Cable Box: $9.95
Dish (12Month Contract Required)	$29.99 (with 12 Month Contract)	Cable Box: $10.50
Direct TV (24 Month Contract required)	First 12 Months: $29.99	Second 12 Months: $45.99

Figure 1
Cost comparison of monthly television subscription rates. Taken from phone calls to each company's listed service phone numbers on 2-23-12

MEDIA TODAY

Books

With the advent of digital technology, the high production of books cost could change and shift to the reader. Digital readers like Amazon's Kindle, Sony's Style and others will cut out the cost of printing and distribution, but would require the reader to pay the costs of being able to receive the ebook. The reader must pay for their digital reader anywhere from$75 to $300 per reader— and the costs to keep their readers current in the ever-changing technological environment (Kaufman, 2009). If there is more than one standard for digital readers that different publishers use, the consumer must then own the correct digital reader for the e-book they want to read. Depending on how the e-books are sent to the device, the reader will most likely need to pay an Internet access fee as well. As of today, one cannot share a downloaded book without also loaning the digital reader and nothing has been put in place to move and archive books as new generations of digital readers are produced (Kachka, 2008). This could mean a person must buy the same book again if they want to read it years after the first purchase. Kindle currently charges $9.99 for new releases (Amazon.com, 2011), a good price for a

first-release hardcover edition, but expensive for a paperback. Is this saving the cost of publication or just shifting it to the consumer?

Newspapers

Newspapers in the United States are also facing readers turning to other sources to get their news, such as the Internet. That means increasingly fewer people are getting their news offline with a daily paper. "When an offline reader of a paper dies, he or she is not being replaced by a new reader…How much time do they [newspapers] have? We think they have 20 to 25 years" (Ives, 2008, p. 24). Newspapers have started to turn to the World Wide Web to help defer the high printing and distribution costs (Thornton, 2009), but are finding it hard to make money with this model. Consumers are used to getting content on the Internet free and are not used to or willing to pay for such content. The Internet is new, and there are not many studies showing the effectiveness of online advertising; because of this, advertisers are not willing to pay as much for Internet advertising as they were for traditional offline printed paper (Willnat, 2006, p. 13).

Newspapers (E-Versions)	
Star Advertiser	$9.95 a month
Civil Beat	$19.95 a month
Hawaii Reporter	Donation
Honolulu Weekly	Free
Pacific Business News	$59.00 a month
USA Today	$11.99 a month
Washington Post	$11.99 a month
NY Times	$19.98 a month
LA Times	$9.99 a month

Figure 2
Cost comparison of monthly on line newspaper subscription rates. Taken from each paper's online subscription page on 2-23-12.

The online page is also a smaller page, compared to a printed newspaper, leading to less advertising on each page even though there is no limit to the number of pages an online paper may have (Bilderback, 2008). Papers could also charge subscription fees for online papers but are readers going to pay for something they are used to getting for free, or could get free elsewhere? Some papers did—*The New York Times*, for example—but subsequently stopped, precisely because online readers weren't willing to pay. In the *Times'* case, it went with an advertiser-supported model (Thornton, 2009). There has not enough data to say if this model has been successful, but as the *Times* is a huge paper, they're better able to weather the slings and arrows of misfortune than smaller periodicals. One study found that "users aren't likely to pay for content, even news they consider valuable, if free content can be accessed elsewhere" (Dibean, 1999).

Online media companies, with few exceptions, have relied on the same model that radio and televisions have adopted. News will attract eyeballs and the advertisers will pay to reach these eyes (Carlson, 1999, p. 9). Carlson also said:

> Now, however, there are data floating around that may call the "content must be free" assumption into question: The number of consumers paying for content is rising, and the number clicking on ads on Web sites is dropping, dramatically. The advertising statistic is called the "click-through rate," and it is a measure of the number of people who click on Web ads and pass through to the advertiser's information. In early 1998, the click-through rate averaged 1.35 percent, according to NetRatings Inc., a California company that tracks such things. The current rate is estimated at something below 0.5 percent, says Tim Meadows, an analyst at NetRatings (Carlson, 1999).

With fewer people in the United States reading the daily paper, papers are not able to charge as much for the same advertisements as they did when their audience was larger. Advertisers are also turning their advertising dollars away from newspapers to other forms of advertising to diversify their audience. Free classified ad papers such as the *Autotrader* and *Pennysaver* as well as free Internet classified ad sites such as *Craigslist* are also taking away revenue streams that have traditionally been the newspaper's domain. Craigslist alone siphons off $7 billion worth of classifieds (Millard, 2009, p. 22). "The [newspaper] owners…are variously posting huge losses, at least on paper; watching their stock prices plunge; and, crucially, struggling to make payments on debt they took on under projections that didn't pan out"(Ives, 2008, p. 142).

Another model that newspapers could use to fund their businesses is micro-payments, charging a small amount of money for each viewing. This way readers can choose and pay for only the content they want, without having to pay a monthly subscription. For example, a consumer could read only the front page or follow a popular columnist without having to pay for the entire paper. "Some companies are already making strides in the micro-payment arena. Many current systems accumulate a big number of micro-payments before paying out a single larger payment. But that may change in the future; you'll be able to spend micro-payments as soon as you get them, rather than having to wait for them to add up (Chapman, 2009)." PayPal is already offering support for micro-payments at a rate of 5% plus $0.05 per transaction (PayPal, 2012). *Amazon* also supports micro-payments through its Flexible Payments Service (FPS). There are other dedicated micro-payment systems also starting to crop up.

Having a paywall is also another model of paying for newspapers online. A paywall is a website that has "free" content or services on the front of the website, but has much more content accessible only to paying members. Most paywalls have a monthly fee associated with getting behind the paywall. Rupert Murdoch's *Times* has been experimenting with a paywall for several years now and it has not been going very well. Only a little over 15,000 people have signed up for the *Times'* paywall and of that 12,500 were from the *Times* iPad app (Burrell, 2011).

If the papers do not find a model that is profitable that it could lead to a large rise in the newsstand or subscription price to keep the paper in the black. This means that readers will shoulder more of the costs of getting their news, maybe at $4 to $5 a paper or for access to the online site (Kachka, 2008). The papers could also cut the costs of printing to increase profits. This could mean a smaller staff or an all-wire news service paper, only a few pages long and have few, if any, local stories. But will that lose readers and thus lead to further cuts that eventually lead to the paper going out of business? Finding a good online model becomes even more important if a paper is to survive giving away online content. "Newspapers simply have no choice. Their print advertising revenues have been decimated by the recession; classified ads have dried up with the advent of Craigslist; and while online ad revenue alone still isn't enough to support most news outlets, all indications are that readers are deserting print for the web" (Rogers, 2011).

Tom Brokaw, former NBC News anchor, made that very point recently when he spoke to the Minnesota Society of Professional Journalist's Page One Awards banquet. According to CityPages.com, Brokaw said news outlets made a mistake in not charging

for web content from the very start. “The most serious mistake we made at the beginning of the IT era…is that we allowed the young pioneers in that business and the users of it to proclaim to the world…that information is free. It is not free” he said.

Magazines

Magazines have used the app. market to get content to their readers. Apps for the iPad and other tablets have continued to grow in the last couple of years. Consumers seem to be more willing to pay for content on their tablets and other mobile devices than they are for their personal computers. 41% of tablet owners are willing to buy magazines with their tablets (NeilsenWire, 2011).

Consumer Reports Online and the Wall Street Journal Interactive Edition, the two largest subscription sites on the Web, each report they have more than 300,000 paid subscribers and are growing. The Journal, launched in April 1996, charges $59 a year for non-print subscribers, and Consumer Reports, on the Web since November 1997, charges $24. Both sites have charged access fees since their debut. Consumer Reports Online is attracting 1,000 new subscribers a day, says Nancy Macagno, director of new media for Consumers Union, which publishes Consumer Reports. The Interactive Journal is signing people up at the rate of 2,700 a week, says spokeswoman Denise Collins (Carlson, 1999).

Magazines have the same options as the newspaper: raise subscription and newsstand prices, or go to the World Wide Web and get either advertisers or online subscriptions to pay for the magazines.

Radio

The Internet is a perfect fit for radio; all that is needed to stream on the Internet is an encoder. Programming and commercials work just as well on the Internet as they do being broadcast over the air. They do not need to be redone as they do for online

newspapers or magazines (Yorke, 2006). Because radio is an audio-only format, the Internet allows for additional visual ads that can be sold, increasing radio's advertising revenue. Paywalls are also being used for radio. Talk shows like Kim Komando, MancowMuller, Phil Hendre and others who are providing small amount of free content on their web sites in order to drive subscribers to pay for premium content , such as archived programs, web casts of programs and other bits of content not available on their radio programs. Once a listener goes to the website, there is a small amount of free content and lots of content that the listener must pay a monthly fee to access. Recently, radio stations are turning to services such as Clear Channel's "*I Heart Radio*" to boost their audiences worldwide over the Internet. As of now this service is free, but according to Clear Channel's website it is soon going to charge for this online service (Clear Channel, 2012). Subscription or fee-based radio such as Sirius or XM is an option for consumers who do not want commercials or would like to have a wide reception area.

Television

Over the last few decades, television has changed, with cable television shifting the costs of broadcasting to the viewer by charging a monthly fee to view cable's programming. With that have come many more channels of programming, over the half dozen or so free broadcast stations in each market (Steinberg, 2009). This has reduced the cost of broadcasting to the network by not needing a station and transmitter in each market; having only one location from which to broadcast; and providing a wider audience penetration than transmitters alone could. Networks can provide their programming to whatever cable provider is willing to pay for it worldwide (Cooke, 2007). Netflix, Hulu and Blockbuster have come up with a subscription-based online model. For a small monthly fee, a consumer can have unlimited movies and television

shows streamed to them over the Internet. Tablet computers, gaming consoles and televisions that have online capabilities built into them have been a real shot in the arm to services like these which have taken down the brick and mortar rental stores all over the nation.

For the last 20 years the Internet has become a popular mass media tool. People can get news, send and receive mail, do research, watch television, listen to music and radio broadcasts, and even play games, all from their computers. Internet usage has been on a steady climb. Studies have shown "that the time people spend with Internet news (alone) has more than doubled between 1998 and 2004" (Willnat, 2006), not including watching television or other uses of the Internet.

One of the most frequently heard predictions is that television will soon be replaced by computer-based activities, such as surfing the Internet (Negroponte, 1995). Proponents of this perspective point to data that indicate television usage among Internet users is declining and predict reductions in television viewership. It has also been found that "compared to non-users, heavy Internet users spend about 17% (or 24 minutes) less time per day watching television and 24% (or 5 minutes) less time reading newspaper" (Willnat, 2006).

The use of digital gadgets has been growing as well. Today, the number of iPods, cell phones, tablet PCs and personal digital assistants (PDAs) is increasing, as they are among the most useful and popular gadgets (Hendrick, 2007). More than 1 out of 6 people worldwide own mobile phones, digital cameras, PDAs and laptops which are equipped with wireless fidelity (Wi-Fi) (Willnat, 2006) or Internet service provided by their cell phone service provider.

Handheld devices are in a time of rapid change with subscriptions reaching over two billion worldwide (Wireless Intelligence, 2005). There has been a big growth in the variety of devices that are mobile and can process digital data and media. As a result, the use of mobile phones is almost twice as high as that of personal computers (ITU, 2008).

With more and more people using the Internet, either through a computer or some sort of hand-held mobile device, it is becoming a real force in grabbing the attention of the mass media users. But who is paying for the services?

Internet Access		
AT&T	DSL	$49.95
Hawaiian Telecom	DSL	$24.99
Time Warner Oceanic	Cable	$39.95
Clear	4G	$35.00
Mobi	4G	$34.99

Figure 3
Cost comparison of monthly Internet subscription rates. Taken by phone to each of the company's listed customer service numbers on 2-23-12.

Mobile Phone			
Verizon	$39.00 (450 Minutes)	$10.00 (Data 75 MB)	Handset not included
	$59.00 (800 Minutes)	$30.00 (Data 2 GB)	Handset not included
		$50.00 (Data 5 GB)	Handset not included
Sprint	$39.00 (Unlimited)	$79.00 (With Data)	Handset not included
T-Mobile	$59.00 (Unlimited)	$89.00 (With Data 5GB)	Handset not included
		$119.00 (With Data 10 GB)	Handset not included
Mobi	$39.99 (Unlimited)	$59.95 (With Data)	Handset not included

AT&T	$69.99 (Unlimited)	$38.00 (Additional for Data)	Handset not included

Figure 4
Cost comparison of monthly mobile Internet subscription rates. Taken by phone to each of the company's listed customer service numbers on 2-23-12.

Companies and businesses are building their websites, but the cost of accessing these sites is put upon the users. Users must pay some kind of access fee to get on the Internet, either through monthly broadband or cell phone usage fees, as well as any fees associated with accessing various web services. More and more Internet sites are charging fees to access their sites on top of user's monthly access fee (Stiller, 2001).

MEDIA FUTURE

Marshall McLuhan said that "the medium is the message" (Griffin, 2009, p. 312). He saw the medium and the message as one and the same. He also believed that as new mediums become commonplace, they become a part of our communication environment and part of our daily lives. He went on to say that new communication technologies become part of our environment so much that we are not consciously aware of them, much the way fish are not aware of water, until it is missing. This is already happening with people under the age of 25─ many of them are so used to using the Internet daily that they do not know what they would do if the Internet were to go away (Chapman, 2009). They use the Internet the way earlier generations used newspapers, books, radio and television to get the information they needed about the world around them. They do not see it as a new toy but as an everyday tool they need to function in society. Tablets also provide many more uses than just viewing media, tablets now work as small hand held computers, making them much more valuable to the user.

Internet devices are becoming true multimedia devices, with computers they are able to download newspapers, magazines and e-books, and play radio and television. Wi-Fi and portable computer devices are making media portable. Forrester Research analyst Frank Gillett believes that “Tablets will become most users' primary computing device within the next four years” (Hamblen, 2012, p. 12). Because they are becoming true multimedia players, are relatively affordable and are small enough to carry on one’s person. Gillett defines a tablet as, weighing less than 1.75 pounds with a 7 to 14-inch screen, having touchscreen capability, an eight-hour battery life and always-on operation. Gillett says that by the year 2016 there will be over 375 million tablets sold in that year alone and a user base of over 760 million tablets worldwide. "Tablets will become the preferred, primary device for millions of people around the world" (Hamblen, 2012, p. 13).

What does this mean for the future of advertising-supported mass media? It means that the environment that people are used to is going to change. Will it be for better or for worse for the media outlets or even the consumers? Will the costs go up so high that only the well-to-do citizens will be able to afford to have access to media or will the costs drive media producers out of business and only the large nationwide outlets be able to survive? Printed books will keep costing more as few are supported by any type of advertising, and with the costs of paper, printing and distribution going up, consumers will have to pay more if they want a copy to hold and put on a shelf. The use of electronic books is going to become more common in the coming years, but unless a single standard is adopted, consumers will need different readers for all standards, and everyone will have to have their own copy or loan their readers to others. Even though

electronic readers have lots of storage, at some point they will get full and consumers will have to make room by deleting books they have bought. Newer readers are a given, but will they be compatible with older book formats? And will books transfer from the old reader to the new one? If publishers have their way, every time a consumer wants to read or re-read an electronic book, they are going to have to buy a copy (unless they still have a copy loaded in their reader). This will increase the cost of book ownership, and it will be the consumer who has to pay these costs. With the price of an e-book is comparable to a paperback, and since publishers want you to adopt the technology, will the price come down as more people adopt the e-book format?

Newspapers and magazines are seeing their subscriptions and advertisers shrink, while the hard costs keep going up. If consumers want an offline printed copy it is going to cost a lot more than it does today. In order to keep the cost the same, publishers will have to start cutting content and consumers will be getting less for their dollars. Moving to an online edition is becoming more and more likely, but it cannot be free; newspapers and magazines must cover their costs in some way and make a profit. There will likely be more advertising, if the publishers can get it, and some kind of subscription fee. This fee could be paid monthly or be charged by the story or view. If newspaper and magazine publishers want to stay in business, they have to stop giving their content away for free (Isaacs, 2008).

Of all the different types of mass media costs to the consumer, radio may be the only one to remain relatively unchanged. Technology is making radio (audio-only media) cheaper and easier to do. Radio has the option to transmit, stream over the Internet or become self-contained podcasts. The only costs to the consumer will still be

the price of the hardware (radio) or the Internet access fees. If the consumer does not want advertising, there are subscription radio services, such as Sirius and XM or paid services on the Internet such as *I Heart Radio*. But that choice will be left up to the listener. Radio in the coming years, due to the low cost to the listener, may even see growth.

What about television? Who will pay for it? With the number of channels on television and cable, advertisers are not as willing to pay what they did in years past for a single spot on a single station. With the costs of running a traditional over-the-air station going up, the major networks are looking at becoming cable, satellite or Internet-based broadcasters only, all of which will increase the cost to the viewer who must pay a monthly access fee to watch programming. PBS recently has moved its entire library to the web, with underwriters and commercials, hoping to get viewers to watch their programming without paying the hard costs of a broadcast station (Shields, 2009). Television broadcasting could also be funded by taxes or user fees, much the way it is done in Britain, but this also means the viewer pays a larger share of the costs through taxes or fees. Moving television to the Internet will cause viewers to pay for a monthly broadband connection as well as any user fees that might be charged to view programming.

People are used to paying Internet access fees and monthly mobile device fees; these are some of the highest fees paid by consumers of mass media. In the coming years these fees are likely to go up, especially if other mass media content is moved to the Internet. Higher broadband capabilities will have to be installed and the consumer will have to pay for that too, either through higher user fees or tax dollars.

So goodbye to mass media as it is known today. In the coming years, more and different types of mass media economic models will arise, but the days of advertiser-supported media are coming to a close. The masses will soon learn to get out that checkbook if they want to stay connected to the world.

CHAPTER 3

METHODS

INTRODUCTION

Creswell's (2003) description of qualitative method was helpful in building an approach to this study. If a new concept or phenomenon needed to be studied and there was not much existing research, Creswell elaborated that this type of approach may be needed because the topic is new, the topic has never been addressed with a certain sample or group of people or existing theories did not apply to the particular sample or group under study. Creswell noted that a qualitative approach was suitable. Doing in-depth interviews with experts in that field gave a good foundation to what is happening in this field of study. Some research topics are so new or quick changing that not a lot, if any research has been done in that topic. To gather data in such topics Creswell recommended doing in-depth expert interviews. Experts in the field of study usually have a greater grasp of what is happening in new and fast changing research topics (Creswell, 2008). Media economic models are new and ever-evolving and there is not a lot of research done on them in Hawaii. Creswell elaborated that a qualitative approach may be needed because this topic is new and has never been addressed with a certain group of people or sample, or existing theories did not apply to the particular group or sample under study. Although there are many models used to pay for media in Hawaii, a complete study of business models used to fund media in Hawaii could not be found. Talking to experts in the mass media field was found to be the best method to use in this exploratory study. This study interviewed 15 experts in the field of mass media in Hawaii, building a foundation of the different economic models used to pay for media here in Hawaii.

PARTICIPANTS

Face to face interviews with experts in the media industry were conducted. Individuals were chosen according to their theoretical relevance. This means that "they are people who can contribute direct insight into the theory being generated because they have experienced the phenomenon being studied" (Miller, 2002). This researcher has worked in Hawaii's television industry for over 30 years and knows many of the experts personally. This researcher also spoke with experts in the field he did not know personally but who were willing to be interviewed. From these experts, 15 were chosen to do in-depth interviews. All the notes and transcripts as well as the interviews are included in this thesis. These transcripts can be found in appendix B. This researcher is very interested in the changes in how media is paid for and how it impacts the average consumer of media in Hawaii. But that is out of scope of this research. This exploratory research might lead to further research in this area.

CREDIBILITY

As stated earlier, 15 one-on-one, face-to-face interviews were conducted. Audio recordings were used to conduct the interviews; the recordings were used for transcription only and were destroyed when the transcripts were done and checked for accuracy. The written transcripts are included in appendix B. The transcripts were read and coded and each interview was read many times and compared to the transcripts of the recorded interviews before they were destroyed. Each of the interviewees was sent a copy of the transcript for their review, for them to comment on or modify in text. Each participant also had the option of viewing the finished thesis before it was finalized.

CREATING THE INTERVIEW GUIDE

To be able to get the data needed for this study a list of questions needed to be generated. Working off a list of predetermined questions ensured that all participants were giving the same data. The questions also provided the framework of this study. Below is the list of questions and the theory behind the asking of each one.

Q1 ***What is your name and title? Can you spell your name for me?***

This question ensured that the expert's proper name and title was correct and that each participant's name was spelled correctly.

Q2 ***How long have your worked in (state media type, TV, Radio, Newspaper etc.)?***

This question determined out how long each participant had worked in the industry and to determine if they have truly worked in this field long enough to be considered an expert.

Q3 ***Five years ago how did your organization pay operating costs? How about ten years ago? Any difference?***

This question was used to establish a base line as to how media was paid for before the new economic models were used. This also showed if the models have changed over the last few years or have remained the same.

Q4 ***Has the way of paying your operation costs changed today? If so how?***

This question was used to find out if the expert's revenue models have changed or remained the same. This open-ended question allowed the participant to explain how the models have changed or remained the same without input from interviewer.

Q5 ***What other ways do you know of that your organization can pay operating costs?***

This question answered if the participant had looked at other revenue-producing models or if they were not aware of any other models. This opened question determined if the experts might have other ideas that have not been discovered in this research.

Q6 ***Explain what other methods of generating income your organization has tried? Have they been successful?***

This question was used to find models of revenue that might have or not have worked and why they turned out the way they did. The first part of the question showed if the organization had tried other revenue models or if it had stuck with traditional forms of revenue generation. The second part of the question showed how successful each model had or had not been and why it was so.

Q7 ***What are some of the changes in media, that you see that could manifest in the coming years? How would this change the way you charge for your media service?***

This question was used to learn how each organization liked to have their operation expenses paid. This not only showed the direction in which each organization was moving, but also how they wanted to generate income, thus indicating how they wanted to proceed in the coming years, even if that model was not feasible at the moment. This also showed where policy might be heading in the coming years.

Q8 ***In regard to different business models, do you have you anything I did not ask that that you might have to say?***

This opened ended question allowed the participant to give incite that they felt was important and that the researcher did not ask.

DATA ANALYSIS

After the interviews were conducted, the information gathered was analyzed to uncover any emerging themes and patterns from the participant responses that would give any insights on the media economic models. All interviews were transcribed and repeatedly analyzed for keywords and concepts that were used to see if there was an underlying theme in each answer.

After analyzing the data and finding themes between participant responses, this researcher presented a summary of the research findings to the participants to ensure that the findings paralleled the participant's sentiments. This ensured that participant perspectives were represented, rather than just the researchers'.

The research was started with interviews in May 2013 and continued through August 2013. Transcripts were done as soon as each interview was finished. The recordings were destroyed as soon as the transcriptions were done and checked for accuracy.

CHAPTER 4

RESULTS AND DISCUSSION

INTRODUCTION

A total of 15 experts in the different fields of mass media, television, radio and print participated in the research study. Each of the experts was chosen to represent a different type of mass media. There are experts from the commercial, private, corporate, nonprofit and governmental sectors. Each of the experts will be introduced in the context of the discussion. However, short biographies prior to the analysis section will aid the reader in identifying the research participants. With a large number of participants, it would be easy to confuse one participant with the next. The biographies are meant to create an individual, memorable character for each participant. In this way, the reader can relate to and remember individual participants. Giving background information helps the reader understand participant's perspectives in context. The participants are introduced in alphabetical order by last name, which facilitates any necessary referrals back to this section.

The section following the participant biographies shows key themes and categories uncovered during the research study. The analysis section features quotations taken directly from research participants, as well as interpretation of possible explanations as to why these themes and categories exist. The analysis section also answers questions and challenges from the literature review, in an effort to build from past research.

PARTICIPANT BIOGRAPHIES

Tim Batchler

Tim Batchler has sold and serviced satellite systems in Hawaii for over 13 years. He started selling complete satellite systems on the roadside before anyone was set up to sell systems on the island. He then worked as a manager for Microcom, a satellite reseller, before starting his own company, Island Coconut Connections. Batchler has worked with both Direct and Dish Networks, although now he only works with Dish Network. He has installed and serviced over 3,000 systems on the island of Oahu.

Tim Bradley

Tim Bradley has worked in the television business for over 30 years. He was the first person to bring in a portable VTR(video tape recorder) and start taping remote video productions in Hawaii. Prior to that, all remote productions were shot on film. During this time he worked for EMC (Electronic Measurement Corporation). A few years later he started his own video production company, Video Lolo. In the 1980s Bradley joined a company called QDD (Quenzer, Driscoll, Dawson), which was doing a large portion of the local commercial production. QDD was using film technology, and Bradley introduced the use of video tape to them. In the early ‘90s Bradley went to work for Star Siegle McCombs, a large advertising agency, as their executive producer. Bradley, now owns and works for his own television production company, Take 2 Productions.

Joy Chong-Stannard

Joy Chong-Stannard started working in television while a student at the University of Hawaii. She started as a student production intern at Hawaii Public television and was hired as a full-time employee after graduation. She worked in all aspects of television and eventually became a director. She continued working as a director though the transition for Hawaii Public Television, a state agency to PBS

Hawaii, a private nonprofit entity. Joy now works as a freelancer director/editor working mainly for nonprofit organizations, such as PBS Hawaii, the State of Hawaii and the University of Hawaii.

Frank Duarte

Frank Duarte started his television career working for the Palau Department of Education. Duarte then transferred to the First Hawaiian Bank Employee Media department and has been there for over 31 years. He has worked as a producer, director, cameraman, editor and even as on-air talent when needed. Duarte has overseen the conversion of the department from analog to digital and has been the driving factor for the bank's online video presence.

William Gaeth

William Gaeth has worked in television sales for over 30 years, both on the mainland and here in Hawaii. He is now Vice President of sales for KITV.

Lopaka Holmberg

Lopaka Holmberg has worked in media for over 20 years as a musician, television director and cameraman. For the last 11 years he has worked for Oceanic Cable Company as a customer service representative. He has worked with both private customers and with Oceanic's business class department.

Reid Inouye

Reid Inouye has worked in the media field for over 32 years. He has produced surf programming such as *Surf Trac, Back Door Television, XLAM TV* and made-for-video surf television. During this time he has also published companion magazines for

his surf programming. Five years ago he started *Standup Paddle* magazine, a worldwide magazine distributed mainly by surf shops and by subscription.

Mark Jenson

Mark Jenson has worked as a television producer for over 30 years. For the last 18 years he has been the owner and CEO of Convention TV, doing media support and program creations for the convention market. He has offices in Honolulu, San Francisco and Denver.

Michael McCartney

Michael McCartney started in radio while still in high school in the late 1970s. He worked with Kamasami Kong, a popular DJ at the time, doing small on-air bits. In college he worked for the University of Hawaii's radio station, KTUH, as an on-air personality and program producer. Michael has worked for a number of stations and now has a syndicated radio show broadcast from Hawaii, *The Time Machine*, as well as local on-air duties.

Ross Nagatani

Ross Nagatani has worked as an audio engineer for over 32 years in Hawaii. He has done local productions as well as national TV, radio and music work. He now works as a freelance mixing engineer. He has 38 albums to his credit.

Ryan Ozawa

Ryan Ozawa is a blogger and a media maker. He has been working in the media market since college, over 19 years ago, and is currently working as an online publisher.

Public Broadcasting Professional - name withheld

Public Broadcasting Professional has asked to remain anonymous for this study. Professional has work for many years in public broadcasting.

Norman Nichols

Norman Nichols has worked in television since the mid '70s. He brought in the first portable one-inch video recorder into the state, becoming the first to produce broadcast quality programming in the state while working for ECM Corp. Nichols started Video Lab, the state's first media production support service. He has provided equipment rentals, editorial services and media duplication services. Video Lab was the first company to bring in and use non-liner video editing. Norman now runs Electric Petroglyphs, which still does traditional media support as well as Internet-based media services.

Jan Swift

Jan Swift has worked for the State of Hawaii public library system for 18 years. She graduated from Fresno state College with a degree in library science. She also has worked part time in retail bookstores.

Kiman Wong

Kiman Wong has worked for Oceanic Cable since 1994. Today he is the director of wireless services and home phone and governmental services.

INTRODUCTION OF THE CHANGING MODELS OF MASS MEDIA IN HAWAII

When asked the first research question ("What are the different models used in Hawaii to pay for media?"), the experts responded:

Television

Tim Bradley from Take2 Productions said that "the traditional model was advertising; (this) paid for content and the consumer received the benefit for free, or in

the case of print media for a very small fee." Bradley thinks that the dilution of the advertiser dollars in television began 30 years ago when cable television began offering more channels and the market shares of each network became smaller. With more stations competing for the same market, the share of each station began to drop and thus has made the fixed pool of television advertisers have to spread their advertising dollars thinner among more televised outlets. Bradley says that cable "made up the difference by charging fees to the consumer for programming" and was able to pass the advertising revenue shortfall on to cable television subscribers. Kiman Wong said that even today, with all the extra services and advertising options available, that the "bulk of Oceanic's revenue comes from paid subscriptions."

William Gaeth from KITV said that over 95% of revenue was made from advertising and the other 5% was from doing in-house production of commercials and local programming. Ten years ago the local television stations were providing their broadcast feed to the cable companies for free, which allowed them to expand their programming into rural areas without the use of additional transmitters and repeaters. This saved the stations money, keeping them from having to build more transmitters or install bigger transmitters in order to increase their viewership. Unlike HBO, CNN, and other cable-only television stations, they did not receive any money from this arrangement with the cable companies. This is consistent with what was happening in other mainland markets (Edge, 2009). Television stations have used this as a way to increase viewership without having to expand their transmission capabilities.

As time went on, the local television stations started to see that cable companies were making money by providing local programming and demanded that they also should

be getting paid like the other channels being carried by cable. Lopaka Holmberg from Oceanic Cable said that "ten years ago (cable) was mostly analog, standard cable; Internet and broadband would have been down to about 3 megs [megabytes per second]." This is the time that most of Oceanic's income was coming primarily from cable subscriptions, having to pay for local television would have been a large blow to Oceanic's bottom line. Most programming was bundled in preset packages and cost Oceanic less than a dollar per subscribing household. Over the next few years the local cable companies started to feel the pressure from local television stations to pay for their transmissions. Gaeth said about five years ago local stations started to get paid to provide local programming to the cable companies. This was not an easy matter and lots of negotiations had taken place for this to happen. The only local station that did not get paid was PBS Hawaii. The local PBS expert states that:

> I know that we have tried to get Oceanic Cable to pay for our programming like they do with the commercial stations, but this has never worked out. I don't really know the nuts and bolts, but I think we have tried and Oceanic has just said either you provide us programming for free or we will not carry your programming. My feeling is PBS is not a big draw for people getting cable.

Tim Batchler of Island Coconut Connections says that when satellite came to Hawaii to compete with Oceanic Cable, "they [Oceanic] had very little competition and they tended to cost more than Dish. We would install the dish and receiver in the customer's house and they would sign a two-year agreement with us." This would lock the customer into a contract that would pay for the equipment we installed. This also allowed viewers to get television packages in areas that were not serviced by Oceanic

Cable. But it also helped drive down the price of cable television. Holmberg says that there were "huge drops in prices as soon as the competition picked up." The price of cable dropped as soon as the satellite companies entered the Hawaii market.

Norm Nichols, of Electric Petroglyphs said that:

> Five years ago, the… television industry had finished the crossover from analog to digital. The cost of production in the sub-broadcast or industrial market was declining as the advancement of the digital/computers, production and camera equipment required to satisfy the demands of those venues had become so affordable that competition in those markets was no longer so expensive and/or prohibitive because of acquisition costs to compete. Anyone wanting to get into production services could easily buy equipment and start a business. Issues of quality and production value suffered and our ability, coming from a long-educated background in television, allowed us to generate revenue by offering services and equipment to solve many problems and correct mistakes by neophytes trying to break into the business….

Television is a very complex field to get in to. Not only does one need to be a good storyteller, but one needs to understand many technical systems just to be able to broadcast a usable signal. Companies like Electric Petroglyphs have been providing this service to producers of radio and television since the advent of electronic media.

Over the last few years the complexity and price of television production equipment has dropped over the years. Joy Chong-Stannard an independent nonprofit director, said:

> I think the big change is because the equipment now— I'm talking about production equipment, especially like the post production—it's a lot cheaper per se where a lot of people can do their own editing at home if they invest in their own editing system, which is a lot cheaper than it was say maybe about 5-10 years ago.

The cost of media production equipment has fallen from costing tens of thousands of dollars to, in many cases, several hundred dollars. This price drop has moved television production out of the television stations and independent production companies into homes and even laptops. Bradley said:

> The digital age changed everything and vastly reduced the costs of production. Equipment costs much less, videotape and film have essentially been replaced by digital acquisition and storage, stock footage and music is more readily available (almost instantly accessible) and content distribution is far more accessible and affordable.

With the reduced cost of television there were more and more entities getting into television, which made more competition for the existing producers. This led to the television advertising dollar being stretched even thinner as each advertiser would look for the cheapest producer, and this took away revenue that traditionally came to television stations and the production companies.

Private television companies also started to feel the pressure of the shrinking budgets, Frank Duarte of the First Hawaiian Employee Media department said that because "we could save on production equipment and…we had bosses in the company seeing their kids working on cheap computer based-systems, they thought anyone could

produce TV." This led to cuts in staff of qualified production personnal. In-house media departments are now run with a handful of employees. Duarte works alone doing all the in-house media for First Hawaiian Bank. "We had severe cuts in staff and budget. Over the years, it has been so severe that I am now a one-man shop."

Mark Jenson from Convention TV used to have all his production costs covered by the state-run convention bureau,

> Over the last four or five years the convention center no longer included our services in the cost of renting the facilities, and we had to get the money for our services from the conventioneers themselves. This meant that our business dropped off drastically....about 60 to 70%.

State budgets also could not justify the cost of production when it was clear that the price of media production was falling. Jenson was able to keep his larger conventions such as the ACS (American Chemical Society), the National Association of Realtors and the Orthodontic Society. But, the smaller ones did not have the budget for his services. They only saw the costs of production gear dropping, and Jenson said that his clients "no longer saw the real costs involved or value of the services we provided."

Radio

Michael McCartney, an on-air radio personality said that the *Telecommunications Act of 1996* signed by President Clinton:

> was the first significant overhaul of United States telecommunications law in more than 60 years, and one of the restrictions lifted for broadcasters were how many stations that they could own in one market. The island of Maui was actually the first location in Hawaii where suddenly there were five stations in one building. Oahu soon followed as did the entire country.

This reduced the cost of production, since many radio stations could be housed in the same building and the on-air personalities could work for more than one station at a time. With digital servers, computers could run one or more stations. On-air personalities could come in at any time of the day and record programming for playback at a later time or on different stations. They also could record entire shows in their homes and send their programs to the station over the Internet. This led to huge cuts in personnal, McCartney recalls that "in less than one month, four of the five staffs from the other radio stations were let go to keep the costs down."

This is also a trend that is happening across the entire country. Large media corporations are buying smaller independent stations and are running the day to day programing from I central site (Economides, 1998).

Books and Magazines

Print has had the complete opposite happen—its costs have risen. Jan Swift says "The biggest changes has been the price of books; they have almost doubled in the last five years." Printing, shipping and distribution have gone up. Each paper or book must be printed and delivered to the reader. Reid Inouye confirmed that "printing and distribution cost are where most of my costs are. They continue to go up and I have to charge my advertisers more or put more advertising in the mag[azine]." Many of the larger national magazines are going digital to cut down on costs (Burrell, 2011). But Inouye said that these costs are high unless you have very large distribution and an electronic magazine publisher taking care of the monies collection. Nationally, companies have begun to use the Netflix model of distribution; a subscriber pays a flat monthly fee to be able to read many different magazines (Zinio, 2013). Inouye has

checked into this, but for a free advertiser-driven magazine, it is still cheaper to print and ship each issue.

Newspapers

Printing and distribution costs have also gone up for newspapers as well. Ryan Ozawa said newspapers' "costs started to go up and their competition started to increase form free online services, like Craigslist and online media services." Ryan goes added that "the readers have also changed, and are not as willing to have a paper delivered with news that is up to a day old. [The competition has] free news that is available instantly online, such as CNN, ESPN, Yahoo and many others." This has hit newspapers hard. The *Honolulu Advertiser* was bought by the *Star Bulletin*, mostly for their printing facilities. Honolulu now has only one daily paper. This is a common happening across the country; newspapers are merging or just going out of business (Dibean, 1999). This high cost of printing and delivery is also moving more content from the daily printed to subscriber-only online editions. Ozawa said "Look at the daily edition of the *Star Bulletin*; it has gotten smaller and a lot of the stories are short and tell you to go online for the complete story."

ECONOMIC MODELS TODAY

Commercial Television

William Gaeth of KITV said that, five years ago, cable and satellite companies started paying local television companies to carry their programming. Commercial TV still gets most of its money from advertising, but its advertising is coming from many different sources. KITV gets monies from cable franchise fees, traditional on-air advertising and also its new digital station MeTV. MeTV is one of the extra stations that

were awarded during the conversion from analog to digital television. The only costs involved are the programming rights KITV must pay to the Hearst Corporation. Hearst sells the same programming package—using older rerun programing— to markets all over the US, making it quite affordable compared to providing your own programming. All advertising on MeTV is additional revenue for the station. What has become a growing revenue base has been KITV.com. It cost very little to produce; most of its content is coming out of KITV's Newsroom and broadcasts. Gaeth said that the only real costs are from a couple of computer programmers who mostly work from home and a server. KITV is able to bundle advertising both on-air and on-line. Revenues also come from developing news programming for the network and doing local programming to which KITV owns the rights.

Private and Corporate Television

Corporate and private television is very different from commercial television in that they do not always depend on advertising and the broadcasting of their programing to fund their expenses. Many times they work for someone else who owns the rights to the programing. Tim Bradley said that television:

> Was an expensive media in which to operate. The digital age changed everything and vastly reduced the costs of production. Equipment costs much less; videotape and film have essentially been replaced by digital acquisition and storage; stock footage and music is more readily available (almost instantly accessible); and content distribution is far more accessible and affordable.

Although the competition has become greater, Bradley said "Posting video on your website to communicate with your employees, clients, constituents or customers is

easier, more efficient and more affordable than traditional methods. As a result we are producing more and different content for an expanded client base." In-house television systems, programming provided in airplanes and buses and over the Internet have supplemented the independent producer. Mark Jenson said:

> [What] was very expensive was getting [video programming] into the in-room channels for hotels that we did not have a working relationship with. But in the last year or two we have been putting up our programming on the Internet. That way the conventioneers could watch the programming from anywhere there was Internet access—their smart phones, tablets, iPads—and even people that did not attend the convention could watch and see what was going on from their homes and offices. This has been a major breakthrough for us. We were one of the first to do it and our customers love it.

Now that CTV, Convention Television, has worldwide access they are able to start having the exhibitors buy commercials and sponsor segments of its programming. This helps CTV's bottom line and keeps their services affordable. Jenson also said, "We are also looking at getting sponsors for the Internet feeds. We have not started this yet, but we have a lot of interest for doing this." Sponsors see that they can not only reach the people at the convention but also the ones that did not come to the convention for whatever reason. Using the Internet for video distribution is growing across the country, with services like YouTube and others hosting thousands of videos a day for little or no cost (Cultra, 2011).

Duarte said:

> Today, the bank is engaged in [distributing] video on line. A master video file is created, then uploaded to our intranet system and distributed via bank servers to all branches and departments. Every employee in the bank can now access our videos via the bank intranet system from their desktops at a time convenient to them. This saves even more time than before and makes for a clean, fast delivery system—no copying to VHS , burning to DVD or copious amounts of tape handling.

Privately owned media outlets are always looking for ways to cut costs and make more money any way they can. The Internet has been a great way to cut distribution costs—it gives them worldwide media distribution without having to pay for satellite time to distribute their programming or mailing video tapes to their clients. Jenson said that it has saved his company thousands of dollars and just might have saved his company from going out of business. Duarte said that it has just been another cost-saving tool in getting his programming to bank employees. Over the coming years we will see more and more programming going to the Internet, not just for entertainment but for business uses. This is also consistent to what is happening elsewhere in the United States; more and more companies are using the Internet for program distribution. This saves the company the delivery costs and passes the cost of delivery onto the consumer (Pauwels, 2008).

Cable and Satellite Television

Batchler said that satellite has changed the way it sells its programming to compete with cable; it has “different packages of programming, rather than paying for a bunch of channels that no one wants. It cost more per channel, but saves you from

having to pay for programming that you don't watch." Dish was also the first to "provide a whole house DVR, for the same price of a single cable box. Cable now has the whole house DVR, but I think they charge extra for that service." Satellite also provides Wi-Fi streaming, so viewers can watch television programming on their mobile phones and tablets. Since this interview, Dish is now providing iPads with their service to compete with households that do not have existing Wi-Fi and tablets with their cable packages. Over the coming years, we will see both cable and satellite companies providing more customization of their services in order to compete with one another. They all provide similar services, and to compete with one another on price will make it so no one is making any money. Competing on services is what they will have to do to get the customers they need.

Oceanic Cable has been using their digital connection for many different services. Lopaka said that Oceanic Cable is "trying to integrate every possible service in the home so that everything is tied up in a wad. Which can be good and also horrible because if anything happens with your billing, everything shuts off including your security system." Oceanic Cable's biggest growing service is their business class and home Internet services. Oceanic's phone service is on decline while the number of digital cable subscribers has risen since the introduction of high definition. Analog cable services have fallen over the last three years. Holmberg said "It's kind of all marching over into the digital realm. Somewhere along the line of 46% was Internet, cable was following behind that in the 30-40 range, the rest was other primary services like the phone and home security services." Oceanic also tried to provide cell phone services but "That

brought in a whole bunch of issues with contracts now. You can't have a contract for one service and not a contract for the other services." Kiman Wong said:

> Where the margin comes from has changed. The TV side margin has gone down and the networks have been increasing their prices quite a bit. And of course that doesn't necessarily mean we can just raise our prices. The percentage of margin has gone down for that. Internet in certain extent has gone up because the cost of the network has gone down because of technology advancing, and what used to cost $250,000 costs $5,000 now, the computers and all that. But at the same time the speed has increased quite a bit and the need, the wants of the consumer has gone up so we would never be able to provide 2 megabits per second and have everybody really overjoyed about it.

Cable companies across the country have been using the digital cable line going into their subscribers' homes to provide other services: home automation and security, home and business phone services, high speed gaming, and on-demand video and audio services. The digital cable is already going into the home so cable companies are looking for other services that they may be able to provide (Pauwels, 2010). Oceanic Cable is just now rolling out over 400 Wi-Fi hotspots for their Internet customers. Wong said they are doing this to compete with cell phone mobile services. If their customers have high speed Internet at home and they are paying for mobile service at home, he thinks that they might give up their wired cable service, rather than pay for both. Mobile service is much more convenient, while you have to be home to use your connection from the cable company. This is why Oceanic is providing hotspots in public places, a faster Wi-Fi connection while the customer is away from the home. The cable industry hopes that

this will help keep customers from switching to mobile. It is a big risk, but one they think they need to compete (Kohut, 2012).

Public and Governmental Television

Public and governmental television entities are different as they depend on fixed funding. They are not, in most cases, able to sell advertising to help produce programming. Joy Chong-Stannard said, "We have not been able to do many other types of fund raising." Most of governmental funding comes in a fixed package and price and the programing is for one viewing or purpose. She continued:

> People like us have to make a living; we can't just do it and put it up on the Internet. We've got to pay for this stuff. People forget that it does cost a lot of money. I mean, documentaries can cost between $100,000.00–$500,000.00 to do an hour-long documentary that you can say is broadcast quality. Because it involves a whole lot of research, it's just not what you see on the screen.

Commercial funding works well when you want to make a profit, but if the programming does not have a large viewer base, the funding must come from some entity that does not need to make a profit by showing that programming. Chong-Stannard said, "The whole challenge is getting sponsors where they want immediate results because they want to have some type of public recognition. And usually grants tend to be for non-profit entities more long-term type of recognition." PBS has similar problems. The PBS expert said, "Traditionally, PBS Hawaii's pillars of funding have been businesses, government and individual donations. I don't see this model changing anytime soon, although, with the changing economic climate, the station is aware that it not only needs to nurture these resources carefully, it also needs to look for or perhaps create new opportunities for funding."

PBS Hawaii gets a large portion of its operating budget paid for by the Oceanic Cable franchise fee that every cable subscriber must pay as part of their bill. This is the same funding that pays for ‘Olelo’s public access channels. PBS Hawaii gets programming credits from the CPB, Corporation for Public Broadcasting. With these credits, they can purchase national PBS programming. PBS Hawaii also has local corporate and private sponsors that help pay for local programming and operating expenses. The PBS expert said:

> Pledge drives are central to PBS Hawaii’s financial health, as they provide a good amount of the monies the station needs to keep running. Fundraising goals for individual pledge programs range from the low hundreds to the thousands. Locally produced pledge shows featuring local talent can have preliminary target goals reaching into the tens of thousands. Overall pledge period targets can range from the low thousands to the hundred thousands, depending on the length of the pledging period, which can be anywhere from one night to about two weeks. PBS Hawaii has also tried other methods of fund raising, including events such as a wine tasting with silent auction and special screenings of programs to which current and potential donors are invited. PBS Hawaii’s Keiki Club hosts special events such as holiday parties for its members, and other organizations have also held fundraising events for which the station is the beneficiary. These methods have met with mixed results financially.

The funding for public and governmental media has not changed significantly of the last 10 years, so neither has their economic models. They are using the models that

have worked in the past, and as long as they are getting the funding they need, they are not as pressed to find funding from new sources (Madden, 2009).

Radio and Music

Michael McCartney said "With commercial radio, it's always been with advertisement revenue. It was the same five years ago as it was ten years ago." McCartney said, "The goal is not just for the radio station to bring in money from a potential advertiser but also to make sure the commercial brings business to the advertiser…. With my experience, radio has always worked this way, but changes and thinking outside of the box are a must for the survival of this industry." Streaming radio programming has been another form of revenue for radio stations. Most of the revenue from streaming comes from banner ads. McCartney "We've since worked in banner advertisements on our various radio websites. You can see this pretty much all over the Internet. It's like the World Wide Web is essentially millions of classified ads on websites." McCartney has been doing podcasts of musical artists performing live on the air or doing interviews of actors, authors and people who serve in the public. This has not made the station a lot of extra revenue, but has increased their audience and overall appeal of the station. This is consistent with other radio stations across the country. Even though there is not a lot of money to be made from doing streaming and podcasts, most radio stations are doing it, if for no other reason than competitors are doing it (Rainie, 2011). Michael said:

> We have not charged the online listener. That is a stream of revenue that we have not been able to accomplish to help with operating costs. We treat it simply as another extra to reach an audience. It doesn't matter if the guest on the podcast is a household name or indie act with a strong following; we just don't have the

> promotional budget to get the word out across the world at this time to find an audience willing to pay for the content like they would for Howard Stern or Adam Carolla.

Ross Nagatani, an independent audio engineer, who has worked in the audio and music industry for over 32 years, said that several years ago, "production gear was very expensive and just to pay for it; it had to be generating revenue all the time…. So if you need[ed] something done in audio we did it," including audio for TV, commercial work, and films. Music was the mainstay, but the bills needed to be paid. An audio facility had to have a sound booth—a big one if you were doing music— a control room and a machine room. This was very expensive to maintain. Nagatani said "The price of recording and production equipment has fallen drastically. I no longer need a large sound booth and two rooms full of production gear. I can record almost anywhere with a couple of microphones and a laptop." While doing his own music Ross said:

> We needed to get a music publisher and distributer, they had to make the CDs and they did the distribution of the albums. For this they took a large cut of the sales. Today I can burn my own CDs and sell to whoever I want….With the Internet most of our sales come right of the band's webpage, MP3s or we even sale through iTunes. We make very few CDs any more, with the Internet the customer can buy the whole album or just a song or two, and all the costs of distribution are gone.

Self-producing music and either selling the music directly from their own websites or through a major online seller like iTunes or Amazon are what bands and small record producers are moving toward. This cuts down on the cost of making and

distributing their music. This also cuts down on the middle-man costs that were associated with the major record producing companies (Jansen, 2011).

Books and Magazines

Jan Swift said that "there are predictions that printed books will disappear with the popularity of e-books. Maybe, maybe not…e-readers and e-books have changed the bookselling world." The most recent example is the closing of Borders, although there were certainly other factors involved, but e-books had a definite impact. With the increased costs of production and distribution of books, even used bookstores are feeling the pinch, or are going to, with less inventory coming in as well as fewer customers. Barnes and Noble and Borders are pushing their e-readers; Amazon has made it so you are able to order books from the Internet without having to shopping at a brick and mortar storefront.

Swift said that this has several advantages over a store front:

> [There are] fewer overhead costs such as rent and storage space, [and it's] open 24/7, just to name a few. [E- Readers] aren't cheap. You'll also need some sort of connection plan, so you can buy and download the e-books. It also costs to power such devices, so those add to your electric bill. Plus, you'll need a carrying case to protect it. And although you buy an e-book, it isn't technically yours, as early Kindle adopters discovered one day when they found a book they had bought had been deleted, without their knowledge or a refund. You can't lend an e-book to someone, or donate it, or sell it used.

Many public schools and universities are going to tablets and e readers for their text books. This can keep the text book current without the high cost of printing and distribution of providing new ones every few years. This can also provide an income

stream to the authors for keeping their texts up to date (Parker, 2011). Magazines are very similar; Inouye said:

> I know the large national magazines are trying to get their mags [magazines] online. They are either providing their own web sites or going the Netflix model of distribution where a third party hosts many different mags [magazines] the consumer can view for a monthly fee.

Inouye noted that he has not tried to put his magazine online, but he has spoken to others in the industry. "Digital is the future. Online sales for digital print will be the future for some magazines but not all. But with more iPads and tablets, it's inevitable." Many of the national magazines now have an online edition. Every online edition saves the cost of printing and distribution. Online editions are only a small percent of their overall sales, but each year more and more subscribers choose the online edition (Carolyn et al, 2011).

Newspapers

Of all of the media services on Oahu, the newspapers are the hardest hit. They have had a hard time adapting to a model that is financially successful. Ryan Ozawa said:

> The advertiser base has become more competitive, and there are not as many advertisers that see the newspaper [as a necessary advertising vehicle] in the same way they did in the past. The readers have also changed, and are not as willing to have a paper delivered with news that is up to a day old. [The competition has] free news that is available online, such as CNN, ESPN, Yahoo and many others. The paper has become smaller, with fewer pages to reduce printing costs.

Papers are having a hard time recovering from giving their services away in years past. Ozawa said that "it was not bad that they gave away their services, but they were

very slow to get online advertisers to help pay the online costs. I think they thought that people would use their web presence to drive readers to the paper, but that did not happen." Consumers instead felt that they were being overcharged for the online service. For the foreseeable future, most consumers will expect and gravitate toward free content, supported by advertising. It is expected the effectiveness of that advertising will evolve faster than the content creators will be able to change their base business models (Purcell, 2011). Ozawa said that the "general interest newspapers will eliminate the print components of their business completely given the substantial logistical costs and the persistent news cycle. But surviving on online advertising will mean huge reductions in resources that will mean only a few, large players will survive."

What has been discovered is there is not just one model type that fits all media types. Each type of media has had to change and be flexible in order to fill in what used to be mostly advertiser support. Some, like commercial television, had to grow and branch out in other forms of media to make their model work, by adding other channels and Internet components as well. Other television entities had to scale back to reduce costs, but most have used the Internet to cut costs and provide additional services. Radio and music have done major scale backs of facilities and manpower to keep in the black. The Internet has provided some direct marketing abilities to get directly to the listener. Print media has had to deal with the ever-increasing costs of printing and distribution. Some have added more advertising. Others have added digital forms of their printed media or shifted the cost of shipping to the consumers. But the one thing they all have in common is that all their economic models are in a state of flux, ever changing. Nothing remains static; that in order to survive, they must be willing to change, and sometimes

change quickly. In the next section, this paper will look at what the experts think the economic models will look like in the coming years.

THE FUTURE OF MASS MEDIA ECONOMIC MODELS

There is no question that the economic models for mass media are changing and will continue to change; the traditional advertiser-supported model of years past is no longer viable as the sole support of mass media, here in Hawaii. Almost all of the participants have said they are turning to the Internet to save costs or increase revenue by providing additional services to supplement their advertising-funded services. Advertising is not going away, but it's shrinking. Mass media outlets are making less from traditional advertising, but they are finding other services for which they can sell advertising for.

Books, magazines and newspapers are all looking at digital versions of their product to be their saving grace: pass the cost of delivery to the consumers and save the cost of printing altogether. This is consistent to what is happening elsewhere in the country; almost all markets are turning to digital versions (Rosenstiel & Jurkowitz, 2012). Television stations are looking at cable, satellite and Internet streaming to save the cost of transmitting their signals. The high costs of electricity, transmitter site rents, transmitters themselves, and the cost of the manpower are a driving force to cut costs. More and more viewers are turning to cable and satellite not only for the better reception but for the additional programming choices. With viewers turning to cable and satellite, keeping high-priced transmitters is making less and less sense. Now that the television stations are getting paid by the satellite and cable companies to carry their services, television stations are looking to reduce their broadcast signal to only high-density urban areas

(Watson, 2012). Cable television systems are having costs go up on two fronts: the skyrocketing price of sports programming and broadcast networks asking "exorbitant prices" for content they used to provide for free (Task, 2013). Cables programming costs have been rising 10% per year and are constrained by the government as to how much they can raise them, they have not been able to raise rates to keep up with this cost. This is one reason that cable is working so hard to create new services to keep revenue flowing. "The government wants broadband to be made available in low income homes. The only way to do that is bring down prices, and the only way to lower prices is to give the cable companies an economic incentive to do so" (Task, 2013). Music and radio are looking to the Internet and mobile services to increase their listenership and provide outlets for additional advertising. Broadcast radio not only faces competition from online radio stations but also from the use of cell phones. Michael McCartney noted that:

> Radio's biggest competition is not just the Internet (like it is for newspapers and magazines) but it's the cellular telephone. This mobile device has changed not only this country's daily habits but its effect has been worldwide. I've watched it evolve very quickly in the last ten years and the last five years have been mind blowing in how it's changed human behavior. I catch myself doing it all the time. It's my job to pay attention to what we're airing on the FM dial. I'm in the car commuting either to work or home and that hour ride is filled with incoming calls on my hands-free speaker. What does this mean? It means that like most everyone else in a car answering a cellular phone call, I have to turn down the volume of my stereo. A few phone calls and the next thing I know I'm at my

destination and the radio was no longer a part of my commute like it was for several decades of my life and my parents' lives as well.

With the high cost of programming, cable and satellite companies are getting creative by adding services that can use the bandwidth they have going to consumers' homes and wireless devices. Oceanic has added Intelligent Home, a home automation and security service, Internet, pay-per-view and streaming services using existing connections to the home. Many cable services across the country are doing the same thing in order to get the biggest return on their investment (Kaplan, 2011, pp. 155-165). Even small in-house video departments and independent video production companies are using the Internet to save costs.

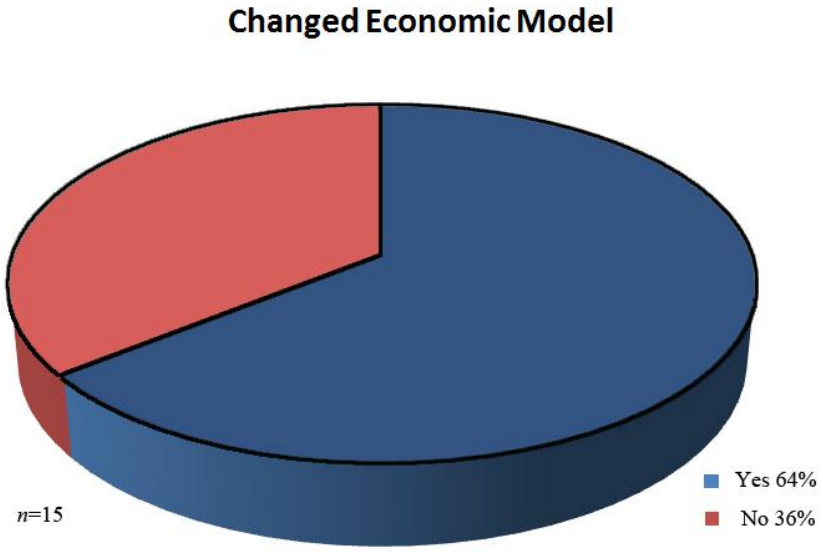

Figure 5
Number of media services that have changed their economic model in the last five years vs. those that have not.

Looking at Figure 5 almost 75% of the media experts that were interviewed have changed their economic model in the last five years. Of those that have changed, all were commercial entities. All of those that have not changed are publicly funded, either state

funded or private nonprofits, dependent on taxes or grants for their funding. The commercial entities that have changed their models cite rising costs and drops in advertising dollars as the reasons for their models. They have either provided additional services or switched to a model that shifts costs more to the consumer to help pay for those services. Tim Bradley of Take 2 productions stated that "if it costs us, we'll have to pass on the cost to our clients," and that cost will be most likely be passed on to the consumer. This is very consistent to what is happening elsewhere in the country: the advertiser-supported model is no longer working as it has in the past. With increased competition and advertisers no longer willing to spend the large amounts they have in the past, media outlets have been forced to change their economic models or go out of business. They have needed to come up with new services or change the way they bill for their services. Television stations have added extra channels, Internet and mobile sites, and have gotten cable companies to pay for their programming. Smaller independent video companies have turned to the Internet to save costs and provide additional services. Radio stations have merged to save money and are moving more and more to streaming on the Internet to increase their audiences. Traditional print media are going digital to save on the high costs of printing and distribution.

This could mean that media consumers of the future might have fewer choices in their producers of their media. Many stations could have media produced by the same corporate owner and all the stations could have the same political bias or slant. If it becomes more cost effective to own many media outlets rather than independent outlets, there could come a time that the United States could have media produced by one or two corporate entities with their limited political views.

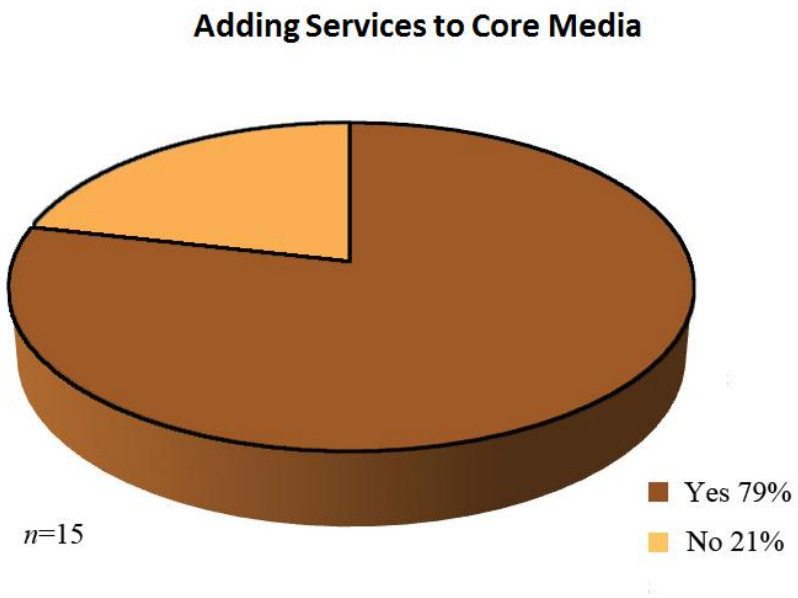

Figure 6
Media companies that are adding services to core media services.

Most of the changes to the economic models are additional services added to the core mass media service. Over 75% of the media experts that participated have added additional services to help pay for their services. Radio stations are adding website support and having their signals simulcast over the cable and satellite systems. Television stations are adding additional digital stations and providing content via their websites and mobile sites. Books, magazines and newspapers are shifting their content to digital versions to save on printing and distribution. Music is being delivered electronically more and more over the Internet and less CDs are being made. Michael McCartney noted that "the ability to stream our programming all over the world will not only increase our audience but cut the cost of broadcasting as well." The only media outlets that are not adding services to their core media are the public and governmental supported services. PBS is looking into streaming their programming, but right now that is an additional cost for which they do not have funding.

Adding services to the core media service could be a great benefit to the citizens of the United States. New services could mean new technology to distribute these services. New services could also mean greater competition between media outlets to gather the viewers. With greater competition could come reduced costs to the service to stay ahead of the others in the market.

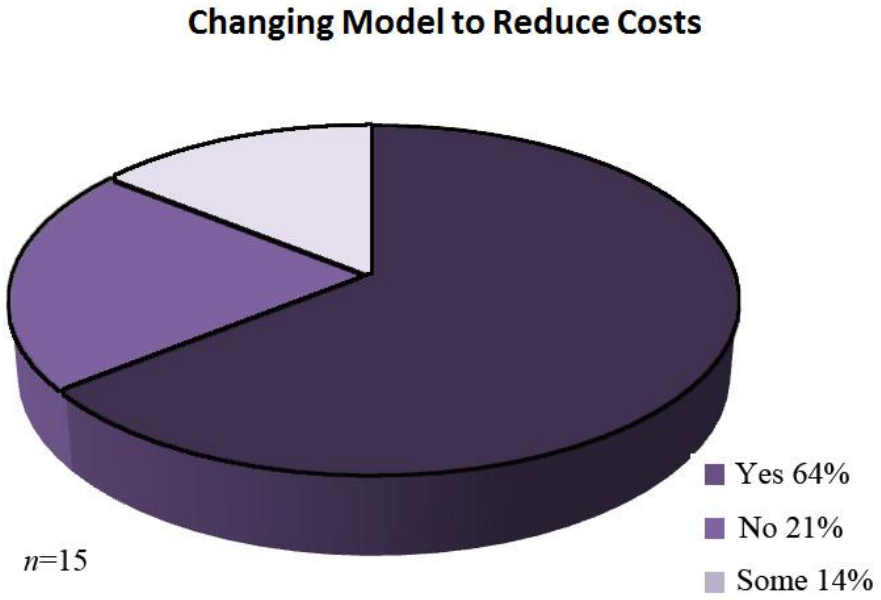

Figure 7
The number of media companies that are changing their economic models.

The overwhelming driving factor for changing economic models is to save costs. Even Frank Duarte from First Hawaiian Bank said that in order "to save money, if we can shift the cost of delivery to others, and not pay for our delivery, it only helps the bottom line for our department and thus the bank." Most of the participants agreed that if their costs were not going up and their revenue dropping off they would not be changing their economic models at all. The only participant whose model would still change was Lopaka Holmberg, who thought that Oceanic Cable would still be adding services to increase its bottom line; mostly due to the fact it is owned by Time Warner Cable, which

is always looking to increase profits for their shareholders. Norm Nichols of Electric Petroglyphs believed, “Like any other small business innovation and creativity is our salvation, so as the market continues to change so do we, and we look to new services or niche markets where our history and expertise give us an advantage for services we can offer.”

Posting video on your website to communicate with your employees, clients, constituents or customers is easier, more efficient and more affordable than traditional methods. As a result “we are producing more and different content for an expanded client base,” Bradley believed, “more and more of the costs of media will be shifted toward the consumer via the Internet.”

With more services being shifted to the Internet that would require the citizens to have an Internet connection, without an Internet connection all the services offered would be unavailable to them. If the cost of an Internet connection stays the same or goes up, this could create a “digital divide” between those that can afford a broadband connection and those that could not. Policy for this needs to be looked at if this trend continues.

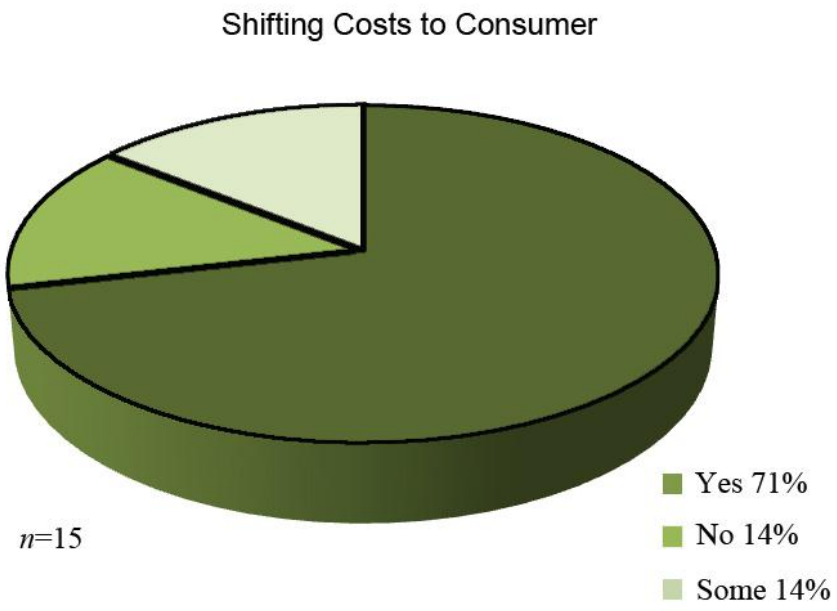

Figure 8
The number of media that are shifting their costs to the consumer.

Almost all participants agree that their new economic models are shifting at least some of the cost to the consumer. Even public broadcasting is considering changes:

> PBS national would love to have all our programming over the web, but there are some real hurdles to that. It would save large costs in transmission and delivery, but only our viewers that have Internet access would be able to get our programming, and that is not part of our mission. But they are providing more and more programming over the Internet, if they can transition without much backlash I think they are ready to move that way.

Batchler said that even at Dish Network, "there has been some talk about setting up a satellite station that feeds a cell-like wireless system that will feed the homes and mobile devices. This will cut the cost of having to provide equipment in every home. " Even Swift from the State Library system admitted that she personally "would like to see

the users pay for the use of our public library system more than they do; they are the benefactors and I think there should be a user fee like The Bus or other governmental services." The state has talked about charging for a library card and maybe even a yearly fee. Nagatani agreed that when someone buys a music track over the Internet, "they pay for all the delivery costs, with their connection." The costs for making the CD and the shipping costs are no longer needed, the music file is sent straight from the music producer to the consumer.

If the costs keep being shifted to the consumer there may reach a point where the consumer decides that the media service is no longer worth it. This is beginning to happen now with print media. Hardcopy books are becoming so expensive that traditional book stores are going out of business. Many of these readers are going to ebooks, but not all of them. Many are choosing to buy fewer books or to stop buying them altogether. Newspapers are also having this problem as many readers no longer want to pay the higher costs of having a daily paper and are choosing to get their new elsewhere.

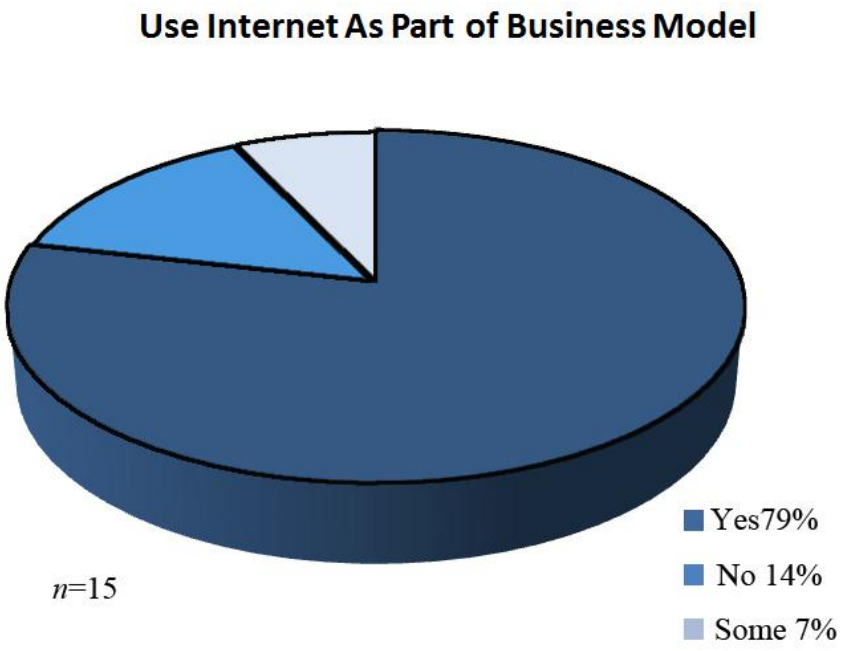

Figure 9
The number of companies that are using the Internet as part of their business model.

All of the participants agreed that the Internet has become part of their business model, except for Chong-Stannard, who does work for governmental agencies, that the use of the Internet is part of their new economic model. KITV's Gaeth said that the fastest growing trend in his business is the mobile service; in the last six months it has overtaken KITV.com, and when they add streaming content, he saw this maybe even overtaking their broadcast channels in the future. Holmberg from Oceanic Cable says that Business Class Internet and home Internet are the two fastest growing parts of their services right now, and the more people that have a fast connection opens the door for streaming content from Oceanic Cable and others. Wong said that even Oceanic Cable is moving towards the Internet:

> wireless area is something that we've dove into. Because traditionally with cable we serve you at your home or we have commercial serve you at your business. If

> you're outside, we have no way of serving you. So we lose out on providing service to you in all those other places when you're out.

More and more services are being created for the Internet. All the experts agreed that they see the Internet as a big part or the main part of mass media in the future. This includes wired and wireless broadband Internet. No one mentioned paying for the Internet services as part of the media they provided, they all assumed that consumers be paying for their own connection.

Ozawa warned that the "increasing prevalence of 'sponsored content,' 'special advertising sections,' and other blurring of the lines between genuine content and sales content is the most attractive, but most dangerous, route to revenue most media outlets will pursue."

Tim Bradley added that "if the costs of getting media keeps going up and people are paying $500 plus a month for TV, Cable, Internet and their mobile phone, it will reach a point that only the middle and lower class will not be able to afford to have these services." He continued, "With cable TV, Internet and mobile phones I have had to give up my HBO and newspaper; I just can't afford to have them. I am also looking to get rid of my cable and just do Internet television."

CHAPTER 5

CONCLUSION

This is the first time in the U.S. history that the cost of mass media provided to the general public is going up. Printing presses made the cost of books and newspapers affordable to the masses. Advertisers paid for the cost of newspapers, TV and radio. With the advent of cable TV, the cost of having mass media services started shifting to the consumer. There was also increased competition with more TV and radio stations as well as periodicals, but the advertiser base did not grow to keep up with the number of media outlets, making the cost of providing media services increase. The *Telecommunications Act of 1996* opened the door for media outlets to own multiple stations in the same market and save costs, but it also opened the door to new cross-platform services. TV and radio stations were bought by the same owner and run by smaller staffs. Newspapers were bought by large owners and merged to save costs. Cable and satellite companies were allowed to use their bandwidth for other uses, like home automation and Internet. The traditional economic models of the last 40 years changed very quickly. It was change or die, and many who were unable to change went out of business.

The first research question— "What are the different models used in Hawaii to pay for media?" —was addressed in Chapter 4, Results and Discussion. There are many different types of models and they are ever changing and evolving. Each media outlet is trying new models, adopting the ones that work and dropping the ones that don't. Today it is an ever-changing process; no permanent models have been adopted. Each media outlet is doing what it takes to survive, and if it makes money or saves costs, it is

something to try. Most media outlets are adding components, rather than completely changing their models. Having ads from advertisers still works; it's not enough to be self-sufficient. Other streams of revenue need to be added to stay afloat. Using the Internet as a cost-saving device is common to almost all of the media experts' opinions be it used for delivery of media or as a service unto itself. All the experts agree you have to be flexible and willing to try any method of generation revenue and that if you stop changing with the times you are out.

The second research question of "What do the media experts think will be the future models for paying for media in Hawaii?" had greater consensus. All agree that at least some of the cost of mass media in Hawaii will continue to shift to the consumer, whether through the cost of having an Internet service, wired broadband or a wireless service or having to pay some type of subscription fee. The experts agree that more of Hawaii's media content will be delivered over the Internet. TV stations are cutting the area of broadcast to save costs; printed materials are saving costs by delivering digital copies. Movies, video programming and music are being delivered digitally over the Internet, DVDs and CDs are on the decline and so are the companies making them. In-house media departments and private production companies are using the Internet to deliver their products to the consumer as a cost-saving means and as well as a new source of revenue. All the experts agree the future will use the Internet in some way. It might be a new delivery system that no one has thought of as of yet, but the experts agree that it will be Internet based.

The experts also believe that the consumer will be paying for more of their mass media consumption. They believe that in the coming future there will be very little free media, and if it is free, it will be filled to the brim with advertising.

For this study, if a consumer of mass media is asked to pay more for a service, they must perceive the cost to be less than the gratification they get from using this service. This is important, as the cost of media goes up and a larger portion is paid for by the consumer, what will be the point in which the consumer no longer sees their gratification is worth the cost? As of today, cable subscriptions have remained the same, even with the rising subscription fees. People have even paid more to get HD television packages compared to standard definition packages. Web and mobile sites have seen a rise in viewership. Private television companies have not seen a drop off in customers due to the fact that some of the costs have shifted toward consumers. Book and magazine subscriptions have not dropped off even though more content is being delivered digitally. The only exception to this is the daily newspaper; the print experts feel that subscriptions have fallen, both for print and online versions, due to the increased cost. For this research project, no one from the daily local paper would go on record, so this information comes from experts who do not work in the newspaper industry but are familiar with it. If it is important enough for consumers to pay for, they seem to be paying for it. In the case of the daily newspaper the cost seems to have risen higher than people are willing to pay, and they are getting their news elsewhere. The costs of media have gone up for consumers in the last 10 years, but they are still willing to pay for most of it. McLuhan believed that when media becomes part of our environment, it is hard for the public to go without it once it has become part of our lives. The method of delivery

of media is changing, but people are still reading news stories, listening to audio broadcasts and watching video programming. None of the different types of media (print, audio or video) have gone away, but how they are delivered to the public has changed.

Will this stay the same? How much will the cost of media rise before it costs more than people think it is worth? To have cable television and Internet access can cost almost $100 a month; add to this a cell phone with a data plan and this could double. This does not include the cost of downloaded music, radio programs, ebooks, newspaper subscriptions or subscriptions to programming outlets like Netflix or Hulu. It could cost thousands of dollars per year just to be connected to the Internet. If people are unable to pay this and all media has moved to the Internet, they will be excluded and not have the ability to use mass media the same way have in the past? Most of the literacy the United States has been from its citizens having access to mass media. The public gets it news and is able to state their opinions through mass media. Media policy planners need to keep this in mind when writing new policy. Will not having equal access to media create a divide between the ones that can afford media and those that cannot?

Many countries today are writing laws that make broadband access for all a legal requirement. These countries see the importance for having all its citizens to have equal access to mass media (Purcell, 2011).

What this study also shows is that gone are the media outlets which just depend on the traditional economic models of years past. To stay commercially viable and stay in business, new models will have to be tried. This study also shows that if the funding for non-profit or governmental media services change, those services are not ready to

change their economic models and do not have a plan in place to get the funding they need if they do need to change. If the funding does stay in place for them, they might be the only free or low cost media that people will be able to get.

Mique Quenzer, an early producer of television in Hawaii, used to say, "Throw it all on the wall and see what sticks." That is what media producers in Hawaii are doing: trying new models, keeping the ones that work, and getting rid of the ones that don't. They are continually doing this, just to stay in business.

LIMITATIONS

There are limitations to this research: It was conducted in Hawaii, on the island of Oahu, and it is not representative of other markets. Even though 15 experts in the different fields of mass media were involved, this research was not able talk to every media outlet in the Hawaii market. There were fewer experts on the print side and more broadcast and electronic experts in this study, although the researcher did get good data on print media in Hawaii; it was a smaller group than the other forms of media. This research is meant to be exploratory in its scope and is not by any means definitive. Models are ever changing, and some models have already changed in the time it took to produce this work. Some of the interviewees did not have time to be interviewed or did not want to be recorded. Less data was collected from these interviewees and there was not as much concise data collected from these individuals. Face-to-face interviews yielded much more, and much more useful data.

FUTURE RESEARCH

Future research needs to be done on the consumer side. This would be very important to public interest; the citizens of the United States have always had a free and

open access to media. More research needs to be done to see if these new models will change how citizens will have access to media. What services are they willing to pay for and how much are they willing to pay? If the entire cost of producing and delivering media were shifted to consumers, would they still be willing or able to pay? How much more would people pay before they start to give up on having different types of mass media? Research needs to be done to see if a digital divide might be created due to the changing economic models. It is not just about access, but fair access. Will the different social economic classes be afforded the same access to mass media? Or will society have free services and premium services for those who can afford them? This could be setting up a situation where different classes of citizens will be delivered different news, movies and television (Crawford, 2011). There are countries in the world where this is the case and this makes it more difficult to have a truly democratic society. If we do not study what is happening to free and open media in the United States, we could also run into this problem and make the democratic society we have now change. More research also needs to be done at the larger network side of media. Do the networks still need the affiliates anymore? What are they planning? There was a hint from the data that with the Internet and the *Telecommunications Act of 1996*, the need for the network/affiliate relationship might be changing. This will really change the mass media economic model as we know it today. As stated earlier, this is just an exploratory study and many more years of research needs to be done in this area to have concrete data in this area. This research would be extremely valuable to media policy makers in the coming years.

APPENDIX A: CONSENT FORM

Copy to Participant
University of Hawai'i
Consent to Participate in Research Project:

The social impact of shifting business models in the media and information technology on the island of Oahu in the state of Hawai'i

My name is Forest Cutright. I am a Masters student at the University of Hawai'i at Manoa (UH), in the Department of Communications. I am collecting data for my Masters Thesis. The purpose of my current research project is to gather data on how mass media economic used to pay for media are changing.. I am asking you to participate in this project because you are a media expert and work in the mass media market and have knowledge of how media is paid for.

Project Description - Activities and Time Commitment: If you participate, I will interview you once, in person. The interview will last for about 25 to 30 minutes. I will record the interview using a audio recorder. I am recording the interview so I can later type a transcript – a written record of what we talked about during the interview and analyze the information from the interview. If you participate, you will be one of a total of 12 media experts who I will interview individually. One example of the type of question I will ask is, "How does the media out let plan on "paying for the content in the coming years?" If you would like to preview a copy of all of the questions that I will ask you, please let me know now.

Benefits and Risks: I believe there are no direct benefits to you in participating in my research project. However, the results of this project might help me and other researchers learn more about media expert's perspectives on how economic models for mass media are changing. I believe there is little or no risk to you in participating in this project. If, however, you are uncomfortable or stressed by answering any of the interview questions, we will skip the question, or take a break, or stop the interview, or withdraw from the project altogether.

Confidentiality and Privacy: During this research project, I will keep all data from the interviews in a secure location. Only I will have access to the raw data and audio recordings, although legally authorized agencies, including the University of Hawai'i Human Studies Program, have the right to review research records.

After I transcribe the interviews, I will send you a copy of them for your review. This is to check that as to what I have written is correct, you will have a chance to make any revisions. When I report the results of my research project, and in my typed transcripts, I will use your name and title unless you request me not to, then I will use a pseudonym (fake name) for your name. If you would like a summary of the findings from my final report, please contact me at the number listed near the end of this consent form.

Voluntary Participation: Participation in this research project is voluntary. You can choose freely to participate or not to participate. In addition, at any point during this project, you can withdraw your permission without any penalty of loss of benefits.

Questions: If you have any questions about this project, please contact me at via phone (808) 358-0113 or e-mail (fcutright@hawaii.rr.com). If you have any questions about your rights as a research participant, in this project, you can contact the University of Hawai'i, Human Studies Program, by phone at (808) 956-5007 or by e-mail at uhirb@hawaii.edu.

Please keep the prior portion of this consent form for your records.
If you agree to participate in this project, please sign the following signature portion of this consent form and return it to

Forest Cutright
P.O. Box 700402, Kapolei, HI 96709
Or
fcutright@gmail.com

Tear or cut here

Signature(s) for Consent:

I agree to participate in the research project entitled, "*The social impact of shifting business models in the media and information technology on the island of Oahu in the state of Hawai'i.*" I understand that I can change my mind about participating in this project, at any time, by notifying the researcher.

Your Name (Print): _____

Your Signature: _____

Date: _____

Do you agree to have your name published with the results of this study? □ yes □ no

APENDIX B: INTERVIEW TRANSCRIPTS

TIM BRADLEY

What is your name and title?

Tim Bradley, Owner, Take 2 Productions LLC

How long have your worked in (State media type, TV Radio, Newspaper, Print)?

I have worked in video production as a producer, director, cameraman, and/ or editor for 40 years. For 30 of those years I was self-employed and for the other 10 years , I was an executive producer for broadcast in an Advertising agency.

5 years ago how did your organization pay operating costs? How about 10 years ago? Any difference?

The traditional model was advertising paid for content and the consumer received the benefit for free, or in the case of print media for a very small fee. Thirty years ago cable television started expanding the content base and eventually diluting the advertising dollars but for the most part made up the difference by charging fees to the consumer for programming. Then came the Internet and the paradigm really began to shift. Traditional broadcast and print media suffered as their normal revenues sank or disappeared as

advertisers tried to figure out where and how to spend their monies in a continuously expanding universe of information and content sharing. In the meantime, consumers have found themselves paying more and more for services and content (e.g. cable Wi-Fi fees, movie subscription fees, digital access fees, Internet fees, etc.).

Has the way of paying your operation costs changed today? If so how?

Before the digital age and the Internet (and corporate intranets), my company engaged in film and videotape production for content creation for a marketplace dominated by traditional television. It was an expensive media in which to operate. The digital age changed everything and vastly reduced the costs of production. Equipment costs much less, videotape and film have essentially been replaced by digital acquisition and storage, stock footage and music is more readily available (almost instantly accessible) and content distribution is far more accessible and affordable. Posting video on your website to communicate with your employees, clients, constituents or customers is easier, more efficient and more affordable than traditional methods. As a result we are producing more and different content for an expanded client base.

What other ways do you know of that your organization can pay operating costs?

We will probably be selling stock footage via the Internet within the next 2 years.

Explain what other methods of generating income your organization has tried? Have they been successful?

I really have not tried anything else.

What are some of the changes in media, that you see that could manifest in the coming years? , How would this change you charge for your media service?

Broadband Internet will have the greatest impact by allowing high quality content to flow readily to consumers. If it cost us, we'll have to pass on the cost to our clients. Ideally, broadband Internet will come and be free.

If you could use any means to pay your organizations operating cost what would it be and why?

If the model is advertising vs. fees, this does not apply to my company. The fee model is constantly growing. But since the middle class is shrinking, how long will it be before there is no longer a customer base that can afford the services.

Forest: What do you mean by that?

Tim: What I mean is if the costs of getting media keeps going up and people are paying $500 plus a month for TV, Cable, Internet and their mobile phone, it will reach a point that only the middle and lower class will not be able to afford to have these services.

With Cable TV, Internet and Mobile phones I have had to give up my HBO and Newspaper, I just can't afford to have them. I am also looking to get rid of my cable and just do Internet television.

In regard to different business models, do you have you anything I did not ask that that you might have to say?

The Internet is much bigger than its entertainment component and control of the Internet would be of paramount concern. Cable companies, telecommunications companies and news and entertainment corporations would all like to control this medium and cash in on "managing the spigot" - charging users for access and bandwidth. But the Internet involves the airwaves and its ownership should remain public. These companies already make enormous profits and it's the consumer who will pay (economically and politically) if the model is changed.

TIM BATCHLER

1. ***What is your name and title?***

   Tim Batchler, Owner, Island Coconut Connections

2. ***How long have your worked in (State media type, TV Radio, Newspaper, Print)?***

   I have been selling Dish satellite systems for over 13 years here in Hawaii. I started selling my first systems along the road side coming out of Barbers Point. Had a full system and television running off a generator, people thought I was crazy but I sold more systems that others here in the state.

3. ***5 years ago how did your organization pay operating costs? How about 10 years ago? Any difference?***

   When I started selling systems we were competing against Oceanic cable, they had very little compition and they tended to cost more than Dish. We would install the dish and receiver in the customers house and they would sign a 2 year agreement with us. Locking them in to a contract that would pay for the equipment we installed.

   Forest: this was a monthly service?

   Tim: Yes, they charged something like $29 a month.

4. ***Has the way of paying your operation costs changed today? If so How?***

   Well it is basically the same, but now we have different packages of programing, rather than paying for a bunch of channels that no one wants. It

cost more per channel, but saves you from having to pay for programming that you don't watch. We now have more preeum stations, like Showtime and HBO. And we also provide a whole house DVR, for the same price of a single cable box. Cable now has the whole house DVR, But I think they charge extra for that service.

Forest: Don't you also have wireless service.

Tim: yea if you have Wi-Fi you can watch the programing on your iPad or phone. But is the same programing that you can get from your dish system. People want to have their TV with them no matter where they are, so we added this service about 2 years ago.

5. ***What other ways do you know of that your organization can pay operating costs?***

Satellite is really hard to add services to, it is one way programming comes from the satellite to your receiver and if you need to communicate it has to be through a phone line or an existing Internet connection. TV works well and radio feeds, but if it has to be two way it does not work very well. Our costs are much lower than cable because we only have one uplink facility and cable can have one in every market. If you can see our satellite in the sky you can get our programing just by putting up a dish.

Forest: so your services are mostly unchanged?

Tim: Yes and no. As I said we do more packaging of our programing, so we sell smaller packages for a higher cost, they get fewer stations and are paying less per month, but are really paying more for each station. And now that we have had our satellites up for so many years we are making more.

6. ***Explain what other methods of generating income your organization has tried? Have they been successful?***

   We have tried Internet service, but being only one way. Down loads were super-fast, but because the customer had to send all up loads over the phone lines or another Internet connection, it made no sense. We had customer using their cell phones for the uplink, they were not happy with the speed or the cost, when they got their cel phone bills. I think we still provide the service to people using it but it is not something we sell any more.

7. ***What are some of the changes in media, that you see that could manifest in the coming years? , How would this change you charge for your media service?***

   The Internet and streaming. With all the mobile phones and tablets running off cel services, people no longer are watching TV in their homes and our satellite services need a dish pointed at our satellite in order to work. Yes we offer wireless using the houses Wi-Fi and broadband connection, but if you can get the same services without our dish I think people are going to go for it.

I think we will still be the go to guys for getting TV to rural areas, but I think people are going to figure out that they don't need the dish to go mobile. This could be a big change for us and the cable guys.

8. ***If you could use any means to pay your organizations operating cost what would it be and why?***

   I think they like having people pay monthly for our services, we have contracts like cel phone companies and we get paid even if they choose to go do something else. I like that I get paid to install these systems and I don't have to worry about having to go remove it in 2 months from now.

   Forest: is selling smaller packages working for you?

   Tim: I think so, we don't have as many subscribers as cable but we have nationwide coverage and last I heard, we are doing well.

   Forest: Any other ways you think they are looking at going?

   Tim: Yes, I know there has been some talk about setting up a satellite station that feeds a cel like wireless system that will feed the homes and mobile devices. This will cut the cost of having to provide equipment in every home.

9. ***In regard to different business models, do you have you anything I did not ask that that you might have to say?***

In media, I think it is all changing, it is becoming more personal, there is enough out there that you can pick and choose what you want to watch. You will be able to buy whatever suits your fancy and watch it when you want to watch it where ever you want to watch it. But you will pay for this, it will not be free. But I would pay for what I want, rather than getting something I don’t want for free.

JOY CHONG-STANNARD

1. ***What is your name and title?***

   Joy Chong -Stannard, Independent Producer/Director

2. ***How long have your worked in (State media type, TV Radio, Newspaper, Print)?***

   I have worked in television 30-35 years, I started when I was in college and I never left.

3. ***5 years ago how did your organization pay operating costs? How about 10 years ago? Any difference?***

   I have worked in television 30-35 years, I started when I was in college and I never left. I‘ve worked for mostly non-profit organizations and usually because its a non-profit, they get funded by grants, different kinds of grants. Most of my productions have been…

   As an independent, I’ve done a lot of having to go out and get my own grant money. Working with other organizations, they usually go out and get grant money or they have program funds that are allotted in their budget every year to do that. But usually for television it’s more specialized and it’s usually considered a little bit not conventional type of things that universities do so usually they get some kind of extra money for grants. Sometimes they have a special promotion or development type of grant they use for general things.

Like for instance I worked on documenting the building of UH West Oahu and that came out of the chancellor's office and I have no idea where that funding came from but since its part of the university its probably part of their general fund, sort of whatever they get from the legislature.

4. ***Has the way of paying your operation costs changed today? If so How?***

The last five years have been really tough. It's been very competitive to get grants. You're seeing sort of a change but I think Hawaii is still suffering a lot of that, recession type of a problem. So in the last say three to four years it's still a struggle. It's not like what it was say maybe about eight years ago and so people are really very conservative with the types of funding you get now for video or media type project.

Part of the problem is if you are working for a state entity you have to be…. because usually there aren't that many opportunities to get other grants unless you get the okay from the higher ups because you don't want to seem as being in competition with other departments. So usually you have people have to go in as a cohesive force in terms of when they go in for grants because different departments have a priority or depending on what the direction is that people want the program to be involved with. I'm talking about government agencies like universities or department of education, things like that.

5. ***What other ways do you know of that your organization can pay operating costs?***

It really depends on what the kind of subject manner you're doing. It's harder to do say some kind of documentary because sponsors tend to want something that they can have themselves promote it, so it's a little more difficult. And that's the whole challenge is getting sponsors where they want immediate results because they want to have some type of public recognition. And usually grants tend to be for non-profit entities more long term type of recognition.

6. ***Explain what other methods of generating income your organization has tried? Have they been successful?***

   Being funded by grants, we have not been able to do many other types of fund raising.

7. ***What are some of the changes in media, that you see that could manifest in the coming years? , How would this change you charge for your media service?***

   I think the big change is because the equipment now, I'm talking about production equipment, especially like the post production, it's a lot cheaper per say where a lot of people can do their own editing at home if they invest in their own editing system which is a lot cheaper than it was say maybe about 5-10 years ago. But you still have to invest some of your funds if you're an independent like myself where I'm just an self-employed entity, I have only

myself as the employee, it's still a substantial amount of investment at least for myself. And some people have smaller partnerships with other production folk and it's a little easier there. The transition from video tape to the digital format, it hasn't made it any easier, it hasn't made it necessarily cheaper because now you have to back up things on drive that cost a lot of money. And you have to just make sure you have a redundancy there. And then you have to worry about the fact that what happens if your software becomes obsolete, how you are going to play back those files. What software is it married to. Down the line of course is if your software or hardware is obsolete then you're going to have to upgrade and continually do that.

What has changed is the fact that if you're doing…the client or the person you're working for, you can't to some extent or it depends on how much memory….a lot of things now can be put up on FTP sites, you can send them samples and things. And they can look at it and approve it long distance so you don't really have to physically go see the client.

8. ***If you could use any means to pay your organizations operating cost what would it be and why?***

I'd rather do a person to person thing cause I find that working with someone face to face, especially if it's a creative thing, like say music for instance. I'll give them my files but usually it's too big I usually work in long form, I don't

work on short form. So that works if you want to upload stuff to an FTP site, if it's less than three minutes but after that point cause I work in HD and so usually it takes…for instance, I use the UH system upload, you know their site, it takes me like sometimes four hours to upload a two minute piece and I don't have the time to really do that a lot but because it's from home, and I do that whenever I can, like maybe at night or something when it really doesn't matter. It holds up my whole system since I'm uploading and I'm afraid it is going to crash. But in that respect it saves you time and it saves you gas. And you can send it out to multiple people if they are savvy enough to figure out how to download it and things like that. But I don't pay for the site so I don't know…the university has to maintain it so I'm sure they are paying for it. Like I said it's very limited.

Forest: Have you thought of using the Internet in your business?

The kind of stuff I do tends to be not sort of mainstream types of stuff. I really see right now people that do kind of quirky kind of gimmicky types of things really gets the attention. And its usually short stuff. And it can really horrendously produced but somehow maybe you have somebody that's a really good personality who can grab people's attention, you know these short little YouTube things. But I don't see how somebody can make a living out of that, you know after a certain point. I mean you can probably do it if you have all the time in the world and you're sitting at home and trying to figure this stuff out. For me the types of videos I do I think it would be more if I put them on the web would be more just for educational purpose, just perpetuating

your product but realizing you're not going to get an income out of it. More of an educational public service type of thing. So that's why it's challenging to do those types of things, because it's really…unless I can figure out a way of getting sponsors to pay for being on that medium rather than on conventional broadcast television which maybe the case because if people start turning away from traditional delivery systems like TV but I don't know because you're cutting out a whole market of people that you normally get their television from for free because their getting it off the airways or their paying for their minimum cable service so it's going to cut out some people. I don't know it's hard to say, you know doing that kind of television cause I think the only people who are making money right now are doing those kinds of television. Nothing really hard news or a history, or long form like I do. Those kinds of documentaries that take more time to put together.

9. ***In regard to different business models, do you have you anything I did not ask that that you might have to say?***

It's an interesting time. And I think it's wide open. Nobody really knows because obviously we are a capitalist type of society. What I'm afraid of is that the market in some way will allow people like YouTube, those types of subject manner will prevail. And some of the other stuff, I call it the more serious stuff will probably have a harder time finding platforms for people to watch it, to see it. People like us have to make a living; we can't just do it and

put it up on the Internet. We've got to pay for this stuff. People forget that it does cost a lot of money. I mean, documentaries can cost between $100.00-$500,000.00 to do an hour long documentary that you can say is broadcast quality. Because it involves a whole lot of research, it's just not what you see on the screen. So I don't know…you sort of have to be open minded and think about what you can do to survive in this every changing world of technology.

FRANK DUARTE

1. ***What is your name and title?***

   Frank Duarte, Media Specialist, First Hawaiian Bank

2. ***How long have your worked in (State media type, TV Radio, Newspaper, Print)?***

   I have worked for First Hawaiian Bank producing videos as part of the internal communications network for 31 years.

3. ***5 years ago how did your organization pay operating costs? How about 10 years ago? Any difference?***

   10 years ago we utilized a full production studio with A/B roll capability (at least 3 Panasonic MII videotape machines), two cameras, a switcher, character generator, and audio board. Programs were produced on a linear editing device and mastered on MII (using a source to master technique through a switching device controlled by the editor). Videos were then mass produced (dubbed) exported to a dub system utilizing 8 to 10 VHS recorders, then labeled, packaged, and distributed to each of our branches and certain specified departments in possession of VHS players. Employees watched the videos during scheduled department meetings. This method is cumbersome, labor intensive, and time-consuming.

5 years ago we began a project to move away from the linear editing system and into the non-linear world. This shift involved purchase of a computer based non-linear system with A/B roll, switching, character generating, and audio built in to the one-size fits all editing system. Thus a big chunk of the requirements of the non-computer based video system was eliminated. This system involved shooting on one digital camera with audio but now all the other elements of the production studio were contained in the post-production offline system using the non-linear computer editing system. Output was still done on VHS copies and distributed to employees as before but the master was created on a video file, then exported to an MII master and copied on the existing dub system. This method reduced production time and labor time and was more efficient. Because we could save on production equipment and that we had bosses in the company seeing their kids working on cheap computer based systems, they thought anyone could produce TV. We had severe cuts in staff and budget, over the years it has been so severe that I am not a one man shop. I do all the banks video work, by myself.

4. ***Has the way of paying your operation costs changed today? If so how?***

Today, the bank is engaged in video on line. Programs are shot on both a tapeless camera as well as the digital studio camera. Editing is done using non-linear software incorporating virtual studio peripherals like a switcher, character generator, and sound board. A master video file is created, then uploaded to our intranet system and distributed via bank servers to all

branches and departments. Every employee in the bank can now access our videos via the bank intranet system from their desktops at a time convenient to them. This saves even more time than before and makes for a clean, fast delivery system. No copying to VHS or copious amounts of tape handling. There are some issues with online quality such as size limitations, buffering, and server performance. It also hampers the ability to watch a video in a group setting such as a meeting. But he does offer the opportunity of convenience to the employee and wide dissemination.

5. ***What other ways do you know of that your organization can pay operating costs?***

Going forward it appears that because everything is happening online we are engaged in the use of the Internet more widely. This includes purchasing software by the download as well as having to pay monthly fees for upgrades of software that were previously purchased in one-shot transactions. The bank is also expanding into areas such as Youtube, Facebook, Twitter, and Twitter Vine which could have cost implications down the road.

Forest: Why is that?

To save money. If we can shift the cost of delivery to others, and not pay for our delivery, it only helps the bottom line for out department and thus the bank

6. ***Explain what other methods of generating income your organization has tried? Have they been successful?***

This question is not real applicable because we are mainly a cost center and do not generate revenue. We have on rare occasions rented the studio for video shoots.

7. ***What are some of the changes in media, that you see that could manifest in the coming years? , How would this change you charge for your media service?***

I see future changes in the costs of media shifting more to the user. As stated previously companies are now starting to charge for upgrades on a monthly basis as well as charging per use as opposed to turn key "in the box" one time charges for software. With online distribution expanding we see the institution of companies like Yousendit that charge by file size or number of sends. This type of cost will probably expand going forward. This means the entire digital world is becoming a pay as you go society with charges for usage being broken down into smaller and smaller pieces be it phones, phone calls, phone apps, cable tv, pay per view events, Internet service, streaming

video of sports, movies, etc., as well as applications used in the professional video field. The implications are that individuals and companies will have to be more prudent with budgets pertaining to media dollars and more adept at prioritizing their goals in order to keep costs in order. This could result in a hodgepodge of charges and costs as users sort out just how much and for what they will be willing to pay for media delivery.

8. ***If you could use any means to pay your organizations operating cost what would it be and why?***

Again this question does not apply to us.

9. ***In regard to different business models, do you have you anything I did not ask that that you might have to say?***

As we have seen the business model that a studio such as First Hawaiian Bank continues to evolve. We have already seen tremendous change over the years from large studios with lots of hardware to essentially a desk with a computer doing the same work. The costs have also shrunk in kind. This does not mean quality is higher however the process is quicker and cheaper than before. Where the costs will rise is in the purchase of media delivery as the Internet becomes a bigger and bigger player in the field. Costs are being divided into smaller and smaller bits if you will instead of large pieces. This will have

huge implications for budget considerations for corporate and consumer users in the future.

WILLIAM GAETH

Phone Interview and not interested in being recorded. These are notes taken by interviewer.

1. ***What is your name and title?***

   William Gaeth VP Sales, KITV

2. ***How long have your worked in (State media type, TV Radio, Newspaper, Print)?***

   Over 30 years in Television

3. ***5 years ago how did your organization pay operating costs? How about 10 years ago? Any difference?***

   10 Years ago over 95% of revenue was from advertising with the others from doing productions of programing and commercials.
   5 years ago KITV started getting revenue from the local cable companies.
   Not very much difference except for getting paid to provide content to rural areas without having to provide transmitters .

4. ***Has the way of paying your operation costs changed today? If so How?***

   Cable franchise fees have gone up. and transmission cost have lowered without losing many viewers.

ESPN getting 1 share and KITV getting a 4 or 5 share over cable. ESPN gets $1.00 per subscriber

KITV.COM as become a true revenue stream , from advertisers .

MeTV is a second digital channel, (using digitals multi channel ability) Same costs to transmit and opening up 24 hours a day more advertising. The down side is that KITV is having to pay the Hurst Company for programing content.

5. ***What other ways do you know of that your organization can pay operating costs?***

   By Developing more news cast time and local production that they have rights to. Doing production for others either programing or commercial work. Not a large percentage.

6. ***Explain what other methods of generating income your organization has tried? Have they been successful?***

   Everything they have tried they are still using….no failures.

7. ***What are some of the changes in media, that you see that could manifest in the coming years? , How would this change you charge for your media service?***

Mobile service, in the last 6 months KITV's mobile sites have overtaken KITV.com. More viewers and thus more Advertisers. Only costs for Internet site and Mobile sites are manpower. No high equipment, power or location costs(content providers tend to work from home or other location)

8. ***If you could use any means to pay your organizations operating cost what would it be and why?***

   No other means.

9. ***In regard to different business models, do you have you anything I did not ask that that you might have to say?***

   An upcoming trend to watch is the network affiliate relationship. Networks do not longer need local affiliates to "Pump the signal to the rabbit ears" With the Internet and cable (Satellite) the network no longer needs the affiliates as they did in the past

LOPAKA HOLMBERG

1. ***What is your name and title?***

Lopaka Holmberg Customer Service/Counter Representative for Oceanic Cable

2. ***How long have your worked in (State media type, TV Radio, Newspaper, Print)?***

11 years

3. ***5 years ago how did your organization pay operating costs? How about 10 years ago? Any difference?***

10 years ago it was analog, standard cable, Internet and broadband would have been down to 3 mgs at that time for their service and just rolling out phones.

5 years ago it was digital, HD at that time, that's when they started rolling out extended packages to you. The Oceanic was doing band width reclamations. They were taking away analog services. I think it's somewhere like 13 channels for every analog channel that you have. So they're reclaiming the analog channels and switching them over to digital and then using that to increase the amount of digital channels and band width you have for Internet. Taking away some and then throwing it all into digital end.

4. ***Has the way of paying your operation costs changed today? If so How?***

Right now the biggest growing was business class Internet and then home Internet, was the two largest growing. Phone is on decline and digital cable is up the past the couple years with the high definition. Analog is on the down swing of things. It's kind of all marching over into the digital realm. Somewhere along the line of 46% was Internet, cable was following behind that in the 30-40 range, the rest was other primary services like the phone and home security services now. That's a slow growth in the field.

5. ***What other ways do you know of that your organization can pay operating costs?***

So they're doing streaming now, which is pretty late in the game but they finally went over into the streaming end. The only problem with that is also contract negotiations every year comes up, that's now part of it. So now you have your digital cost, your carriage cost and now you have streaming rights cost, so that all adds up to it. They're trying to do streaming but their biggest push is integration. They're trying to integrate every possible service in the home so that everything is tied up in a wad. Which can be good and also horrible because if anything happens with your billing, everything shut off including your security system.

Forest: is the home security all cable based or does it use some sort of cellular service as Well?

It's a dual system, half cellular as a back up and then it uses a standard broad band for your primary line.

6. ***Explain what other methods of generating income your organization has tried? Have they been successful?***

We were going to try cell phone service. They opened that up in New York market and Texas and that's so kind of by the wayside. That brought in a whole bunch of issues with contracts now. You can't have a contract for one service and not a contract for the other services. But they don't want to do contracts. So that's their big sale. Quit whenever you want. So you can't introduce a contract to people who you just sole. Oh yeah don't worry about it, you can quit any time unless you get the cell phone. That was the primary one. They had a couple over the year. They were trying to push gaming over the TV line. That was kinda cool. That kinda fell pretty quickly too though. Anything they can get you with the monthly costs. Pretty much gaming, cell phone …there was one more they were trying to get into…just recently but I can't remember what it is. I think they just throw random things out there.

Forest: anything else you tried?

The cell phone was the biggest one. Originally even the streaming they almost had to cap it because they couldn't get carriage right down to the home, which is why for most of the streaming you actually have to be on your home wireless to even stream it. Cause they can count it as a television,

technically. So they don't have to pay any extra cost as long as you are streaming within the home. They're doing that now. They finally got it…

7. ***What are some of the changes in media, that you see that could manifest in the coming years? ,***

The streaming at first is real slow going cause just the amount of selection and the fact that you had to be at home. Then they finally broke down their contract and then started opting into all these other bigger packages that are meant for streaming anywhere now.

The first time they teamed up with Sprint. And then primarily was working out here cause the local market for Sprint is really not that bad. In the mainland they're really kinda spotty. But over here is pretty much kinda flooded so they were good here. Then they made a deal at corporate with Verizon. So instead of going into the cell phone market itself, we started selling products from the cell phone, as kind of a team up kind of thing. So technically we are not providing you the cell service but we're providing you different contract options. And it's supposed to be a deal if you go with both kind of thing. The own personal cell thing didn't work out plus the cell phone market is flooded too, unless you're going to offer something amazing.

They started to but they're only doing as long as you keep your home service. Your home service becomes what's available on your cell service. If you have Verizon right now you can stream off cell service. Only Verizon apparently. That's they're little push. But I think eventually they're going to have to. Because I mean they're a whole shift away from tied down home services anyway, eventually if you're going to compete with a Netflix, Amazon, Google Play, Roku….you know, down the line, eventually you need to get away from just the home subscriptions. They cannot survive off of that. I mean that the earning are good now but as the old generation starts to get off the service, now all you've got left is a whole bunch of people that grew up with iPods and iPads.

8. ***If you could use any means to pay your organizations operating cost what would it be and why?***

They would actually technically prefer Internet, phone service and the actually security system. Cause the overhead is completely on our end. We own all that band width and there is no carriage cost on that. Like the cable stations the way they bundle it, they almost don't like really care, as long as you have the monthly service. They push you into digital but the digital right now the way they're trying to package it, the cost to go into digital is so minute that people mostly just go for it. At that point it's actually cheaper right now if you sign up for digital than it would be if you just do regular standard service.

That's kind of their thing and that way they can still sell. They're selling all the channels and they still have carriage costs but at least they've got the monthly subscriber. And those guys will most likely going to keep it even after the years over and the promotion rolls into something else. That's the kind of person you're expecting. Half the people don't read the bill and most of them don't know even when the thing ends anyway so they just keep continuing it. So if you sell up, the worse they can do it return it. But for the high percentage of them, they just keep it anyway, it's there, they don't want to either come it or they don't want someone to come and pick up the box, so they up sell it at a lower cost knowing that it will go higher eventually and they just keep it.

They are hard core now. They changed their model completely from what it used to be. It's kind of a weird change.

9. ***In regard to different business models, do you have you anything I did not ask that that you might have to say?***

About four years ago, we were still technically a privately owned company. We were just paying for the Time Warner negotiation rights and all their carriage stuff. So we were actually a different company. Prior to like that they were actually using their own formats for everything. So we actually have our own computer system over there, no one else as far as New York or Texas, any of the corporate centers they're not allowed to access ours because they

don't have the same program. So we kept the proprietary so we can keep both a) union bargaining rights so no one else can come in doing the job and b) it kept the separation from the corporate office and here. Which is good and that's when I joined and I thought I like that model. Then six or seven months into it, I don't know what the change happened was, they started to adopt all the corporate models for sales, for customer service and they took it away from that local aspect and just went straight hardcore sales, up sales, trying to get people on like…no matter what you call for, doesn't matter even wanting to change your name on the account…that's the next step that's going to happen. That whole corporate just feel just changed and it all shifted. I thought it used to be actually great like the way they used to sell. They would sell to you like your neighbor. That was great.

There are so many 80 or 90 year old people coming back with modems and they don't even have computers. But they took it because the person said that it was something that they could use. They just took it. I don't understand that part of the model. I think it's a horrible way to run it. I had to take a lot from old ladies who never even seen a computer. It was a little depressing. I think that shift in itself too it isn't going to change things. I think the bottom line will give them more profits for the most part. But over time, I mean, you're going to run through everybody and then you're just left with the exact same spiel. People aren't going to buy it forever.

Forest: do you have any competition?

Hawaiian Tel opened up cable now too. Now we have Hawaiian Tel, dish, direct TV and Verizon started one. They have their own name for the television cable service. They can bundle it with home phone and their Internet as well. They just do it all off cell. They and AT&T FiOS, they released both AT&T and Verizon released it both in the mainland. They're doing east coast and southern parts first, and then their kinda working their way west. I think that in itself too cause they have the option because they're working off cell networks to broadcast on devices that we're going to eventually use. People keep getting iPad, keep going up, people will eventually venture off into that realm. Netflix, Hulu. Hulu and their just owned by studios anyway but they were smart...put all their own content on there they don't have to pay any rights, they own it, they just keep popping out there. They get a low monthly cost fee, can watch anywhere. Eventually that competition its either going to force Oceanic to change everything and go more mobile or its going to just knock off and chop the head off that cable end and they'll just be a really good Internet provider, or peripheral provider. They can't carry on with both. I think that competition is going to... They've already driven down their cost. Right before Hawaiian Tel started our triple play package for all three services, primary ones, was $ 141.95. 3 or 4 months after Hawaiian Tel opened up, it dropped down to $105.00. Massive drop. The Internet and cable package was $110.00, dropped down to $86.95. Huge drops in prices as soon as the competition picked up. I think that's what they need though. They need somebody on their butt at all times to drive

them somewhere else. If not they will keep knocking the cost up, keep providing shows that really people don't really need. I don't really know how many people are watching some of those channels but I'm sure there are some. I think I have 600 channels, I watch maybe 12. Which is really depressing but I think that's the good part about the competition. I hope eventually that they'll realize they can adopt other models too. Direct TV does smaller packages no dish does it, but they'll allow you to package smaller section off at a cheaper rate, rather than try to lock in this huge package.

REID INOUYE

1. ***What is your name and title?***

Reid Inouye ,Publisher Standup PaddleMagazine

2. ***How long have your worked in (State media type, TV Radio, Newspaper, Print)?***

Print- 10 years , 5 years on this magazine.

3. ***5 years ago how did your organization pay operating costs? How about 10 years ago? Any difference?***

Through self sufficient funds. Same as 10 years ago. Lately, via profits from magazine.

Forest: Through advertisers, subscriptions or some else?.

Reid: Mostly through advertising, we give our magazine away and any subscription fees are used to cover postage. Printing and distribution cost are were most of my costs are. They continue to go up and I have to charge my advertisers more or put more advertising in the mag. I have been putting in more advertising in, people seem to understand this, we give it away for free. If we had to charge for our mag, that would be a different story, I think readers would complain about having a mag with 60 to 70 ads in it.

4. ***Has the way of paying your operation costs changed today? If so How?***

Its the same, we haven't gone digital paid media yet but expanding into business cross overs including Paddle Fitness market and events marketing.

Forest: Have you looked at digital media?

Reid: Of course, but right now we are making money and the extra time involved is not worth the effort.

Forest: If your printing cost continue to rise will you be more inclined to look at digital media?

Reid: If my costs go up yes I will look much harder. Or even if I find there is more money to be made in going digital I will certainly make the switch. It's not that I don't want to do it, I am just making money now. I know the large national magazines are trying to get their mags online. They are either providing their own web sites or going the Netflix model of distribution. Were a third party hosts many different mags the consumer can view for a monthly fee. I was approached to do this but it was so new I was not willing to take the chance.

5. ***What other ways do you know of that your organization can pay operating costs?***

Keep overhead low, bring in more money, a simple more plus, less minus means for money for you in the end. And run a clean tight ship.

6. ***Explain what other methods of generating income your organization has tried? Have they been successful?***

Never tried anything else. Slow growth means healthy success. Fats grow means scary insecure success.

7. ***What are some of the changes in media, that you see that could manifest in the coming years? , How would this change you charge for your media service?***

Digital is the future. Online sales for digital print will be the future for some magazines but not all. But with more Pads and tablets, its inevitable.

8. ***If you could use any means to pay your organizations operating cost what would it be and why?***

I wouldn't. I do everything on contractual basics. You do a good job, we pay you for your services. And everyone works virtually from a laptop ,no building overhead.

9. ***In regard to different business models, do you have you anything I did not ask that that you might have to say?***

I think you covered it. In business, you gotta have the passion and the soul for it. Then you love doing what you're doing and work becomes play. But understand the dynamics of business, be savvy and tight on cash flow, overhead expense and throw everything back into your business and make the necessary sacrifices to make it happen, 24/7/365. If you're thinking you're going to make a paycheck, then go work for someone full time.

The bottom line with any business if making money and putting in the sweat to make it happen, and the bottom line is to have an exit strategy so you don't have to work for the rest of your life.

MARK JENSON

1. ***What is your name and title?***

   Mark Jenson, President and CEO Convention Television.

2. ***How long have your worked in (State media type, TV Radio, Newspaper, Print)?***

   I have been in television for over 30 Years and have worked for Convention Television for over 18 Years.

3. ***5 years ago how did your organization pay operating costs? How about 10 years ago? Any difference?***

   Lets see 10 years ago our services were paid for by the convention breurou. It was added to the cost of renting the facilities when the conventioneers came to use the facilities. It included the cost of production and the cost of providing in-room hotel cable channel of the participating hotels. About 6 or 7 years ago we had to paying for the in-room cahnnels and we had to start charging the conventeers for this service on top of what they were paying for the convention.

   Over the last 4 or 5 years the convention center no longer included our services in the cost of renting the facilities and we had to get the money for our services from the conventioneers themselves. This meant that our business drop off drastically.

Forest: How much business did you lose?.

Mark: Really? About 60 to 70 percent. We were able to keep the larger conventions such as ACS (American Chemicl Society) The National Realtors and the Orthodontic society. But, the smaller ones did not have the budget for our services. They only saw the costs of production gear dropping and no longer saw the real costs involved or value of the services we provided

4. ***Has the way of paying your operation costs changed today? If so How?***

We have had to be very creative. We started to Woo the larger conventioneers and provide our services to them no matter where they had a convention, not just in Hawaii. These large companys would have 2 to 3 conventions a year all over the US and we would provice convention coverage where evey they had their convention.

Forest: Did you do all the work on the mainland or did you do some of it here in Hawaii?

Mark: We still did most of the prep work here in Hawaii and then would send a team to cover the necessary convention coverage during the convention itself. This increased our cost for our services but with signed contracts and being able to reuse the elements for different conventions, it did save some costs. What was very expensive was getting the in room channels from hotels that we did not have a working relationship with. But in the last year or two we have been putting up our programing on the Internet. That way the conventioneers could watch the programing from any where there was

Internet access,…their smart phones, tablets IPads and even people that did not attend the convention could watch and see what was going on from their homes and offices. This has been a major break through for us, we were one of the first to do it and our customers love it.

Forest: Has this increased or decreased you overall costs.

Mark: it has lowered our costs and been a great marketing tool to get new clients or keep the old ones.

5. ***What other ways do you know of that your organization can pay operating costs?***

We have started having the exhibitors buy commercials and sponsor segments of our programing. This helps our bottom line and keeps our services affordable. We are also looking at getting sponsors for the Internet feeds, we have not started this yet but we have a lot of interest for doing this. Sponsors see that they can not only reach the people at the convention but now they are able to reach the ones that did not come to the convention for whatever reason.

6. ***Explain what other methods of generating income your organization has tried? Have they been successful?***

I cannot think of anything else we have tried. Everything we have tried we are still using.

7. ***What are some of the changes in media, that you see that could manifest in the coming years? , How would this change you charge for your media service?***

   One of the biggest changes I see is the use of the Internet. Not only will we be able to serve a wider area, but one day I think we will be able to do most of our production over the Internet and not have to send crews to the location. We will be able to work anywhere in the world and have the ability to provide our programing.

8. ***If you could use any means to pay your organizations operating cost what would it be and why?***

   I would love to have our programing totally paid for be the exhibitors and be able to provide our services to the convention people and conventioneers for no cost…it would make my job of selling a no brainer. Who would not want free television coverage? I would like to have a company that does every convention across the country.

9. ***In regard to different business models, do you have you anything I did not ask that that you might have to say?***

   I can't think of anything else.

MICHAEL McCARTNEY

1. What is your name and title?

My name is Michael McCartney. Like a lot of other professions in the country, the past fifteen to twenty years has resulted in doing the work of many. In my field of broadcast programming, the world of radio has me wearing several different hats throughout the day and the titles that go along with it. I'm a Music Director, Program Director, Traffic Director and an Air Talent (or as we were known to the mass public in the mid 20th century - Disc Jockeys).

2. How long have your worked in (State media type, TV Radio, Newspaper, Print)?

I started radio early while in high school in the mid seventies and branched out quickly during college in the early eighties so I've been involved in radio for roughly thirty-five years with some film and television work but primarily it's been all about radio.

3. 5 years ago how did your organization pay operating costs? How about 10 years ago? Any difference?

With commercial radio, it's always been with advertisement revenue. It was the same five years ago as it was ten years ago. We do our best to produce the highest quality audio commercial to be played with our radio formats on different

stations.

The sales executives do their best for their clients in determining the client's needs and demographics. The goal is not just for the radio station to bring in money from a potential advertiser but also to make sure the commercial brings business to the advertiser.

This is where the account executives come in with their expertise to understand what the client is looking to accomplish and how the frequency of a commercial on the radio can bring that business customer traffic. A few commercials running in a week may not be effective for any business as it takes repetition to make an impression on a listener. The same goes for the music we may play on a particular radio format.

I get surprised to this day when a long time listener calls in to ask about a new song that we've been playing, only to find out that it's a song that we've been playing for twelve or thirteen years. We may have played it a few thousand times at this point but for the listener, it took that one time after over a decade to pay attention to it and appreciate it. It was the "first time" for that listener. Granted, this is not an everyday occurrence, but it does explain that not every listener is paying attention to something on the radio that runs a few times for just one week. Frequency is important in radio as it is on television. Print and the Internet need frequency as well but these forms of media can accessed usually fairly

quickly by the end user. In print, a reader simply has an advertisement in front of the face and can be saved for future reference. The same goes for the Internet. A simple click here and click there, results in information about a product or service fairly quickly and can be determined by the online user to make a purchase immediately or bookmarked for a later transaction (much like saving the newspaper or magazine ad).

With my experience, radio has always worked this way, but changes and thinking outside of the box are a must for the survival of this industry.

Forest: What Kind of changes do you think that might be?

Michael: The Internet. I think the ability to stream our programing all over the world will not only increase our audience but cut the cost of broadcasting as well.

4. Has the way of paying your operation costs changed today? If so How?

The revenue stream is still primarily the way it has been since the last century. Unfortunately for some of the companies that I work for, they've fallen a little behind in not realizing that there are other revenue streams available to radio.

Forest: Such as?

Michael: Subscription services such at I Heart Radio or even providing our own stream over the Internet, supported by web advertising.

5. What other ways do you know of that your organization can pay operating costs?

Expand to the Internet and be prepared to reach an audience via mobile cellular phones.

6. Explain what other methods of generating income your organization has tried? Have they been successful?

At the turn of the century, we were still being a total package to clients with print and radio. The Internet was still a puzzle for most of radio but we buckled under and offered online streaming of our FM broadcasts. In the early 90s, KONI 104.7 FM was one of the first stations in the entire state to broadcast online worldwide. Other stations followed a few years later but in the beginning we didn't generate income from it. We just wanted to reach listeners outside of Hawaii, who may travel to Hawaii on a vacation in the near future and visit our clients that they heard about from our radio broadcast across the globe. We were successful at reaching some of those listeners and future travelers to the islands but it was more of an "extra" cool high tech item to help a client decide that advertising with us meant not only reaching the island resident and visiting tourist

but also a future tourist who may be arriving in another week or three months from now who wanted to find out about places to go and what would work in their business or vacation budget. This was a successful approach for those businesses that needed tourist traffic (hotels, restaurants, car rentals, airlines, etc.) versus the local handyman store who relies on local traffic for business or a national chain store like Home Depot or even Office Max.

We've since worked in banner advertisements on our various radio websites. You can see this pretty much all over the Internet. It's like the world wide web is essentially millions of classified ads on websites. You're reading your favorite website, as you would a favorite magazine or local newspaper for the content but along with that content is an advertisement or two. Sometimes an entire right or left hand column on a website will be filled with ads like you see in a newspaper. All of them trying to grab your attention. This form of radio website banner advertisements is another form of revenue for us in the last few years.

Although many of our broadcasts with musical artists performing live on the air or simply doing interviews along with actors, authors and people who serve in public office have been made available to online listeners as podcasts, we have not charged the online listener. That is a stream of revenue that we have not been able to accomplish to help with operating costs. We treat it simply as another extra to reach an audience. It doesn't matter if the guest on the podcast is a household name or indie act with a strong following, we just don't have the

promotional budget to get the word out across the world at this time to find an audience willing to pay for the content like they would for Howard Stern or Adam Carolla. Even one of our regular guests is director/actor/comic/author Aisha Tyler who also managed to build a following to her "pay to listen" podcast online via iTunes. At present, our podcasts are available on iTunes for free. This is more of an issue of marketing and finding the right team that understands this blossoming niche market and to run with it.

One of our "out of the box" marketing strategies to further the revenue stream was to bring the old time yard sale that shifted to eBay in the late 90s to the radio stations. As we planned a way to bring an auction site to the airwaves, we found that by adding an auction section to our radio website as well as a stand alone website called MyRadioBid.com, that we could split revenue with our advertisers or barter with our advertisers who instead of paying us cash as they did in the past, would trade their products or services for our website to auction off online. In our first few months, we had boats and cars to auction off as big ticket items along with smaller more consumable items that our listeners wanted at a savings. We had the highly rated airwaves to reach that demographic with our own "in house" promotion of commercial spots to drive them to the website to bid on items. Naturally, we found out later, that we were not the only station to do this. Elsewhere in the country, there were other success stories. Apparently another station in the Southwest has been bringing in about one million dollars a month doing this. If it's done right, it can be extremely profitable and it's just one

of the many ways we're trying to evolve in our local marketplace.

7. What are some of the changes in media, that you see that could manifest in the coming years? , How would this change you charge for your media service?

Radio's biggest competition is not just the Internet (like it is for newspapers and magazines) but it's the cellular telephone. This mobile device has changed not only this country's daily habits but it's effect has been worldwide. I've watched it evolve very quickly in the last ten years and the last five years have been mind blowing in how it's changed human behavior. I catch myself doing it all the time. It's my job to pay attention to what we're airing on the FM dial. I'm in car commuting either to work or home and that hour ride is filled with incoming calls on my hands free speaker. What does this mean? It means that like most everyone else in a car answering a cellular phone call, I have to turn down the volume of my stereo. A few phone calls and the next thing I know at my destination and the radio was no longer a part of my commute like it was for several decades of my life and my parents lives as well. We know that local radio still comes through when there is a disaster (natural like a storm and a tsunami or tragedy like 9/11) or a horrible traffic tie-up. Local radio is losing their audience to smart phones with Apps to listen to whatever music or other audio and video content that want on demand. The smart phone has brought the computer and Internet to almost everyone if they want it. They are not tied down to their desktops or laptops. They can take it anywhere. We join the parade by having

Apps for our listeners to keep them listening to the radio stations and have them stay connected via social media like Facebook and Twitter. We had MySpace to really learn from and we were there from pretty much day one in late 2003. When our presence on MySpace began, there were only about 3000 profiles on that website. In just a couple of years it jumped to be the most visited social networking site in the world and in June 2006 surpassed Google as the most visited website in the United States. We were able to capitalize on this with a radio station presence as well as the various air personalities having their own profiles. In the first two years of doing this and promoting it on the radio, our core demographic were adults. Our main target audience. The news media reported a few years later that it was primarily a youth driven website and that may have been the case during the middle years of the website but it was not the case in the beginning and we connected with our listeners both local and around the globe. The same thing happened when our college interns were on another social website called Facebook and in 2007, we were ready to do the same thing again. Toss in Twitter after that and other forms of social media and like everyone else in the world of radio broadcasting we are entrenched in it. The Internet and the cellular phone are our competition, so we need to be a part of the digital revolution and we've done everything we can to be a part of it.

The challenging part of this excitement and change is that there are no rules in this new world and things are changing almost everyday. Aside from what I've presented as a few of the services that we offer our clients and audience, we don't

see ourselves raising prices. At this stage, everything is frosting on the cake in the various packages that we offer our clients. Competition is fierce from everywhere and the last thing that we want to do is lower our pricing to the point as one client once said to one of our competitors who were practically giving away their available spots for a dollar, "How can I respect you when you don't respect yourselves?"

Websites like Pandora have not been a challenge because the website has not been able to be one hundred percent on demand because if you like Bruce Springsteen, you're going to get a station that will play artists similar to Springsteen along with "The Boss" so it's random. Other websites like Spotify and even YouTube are more competitive because you can type in an artist and song title and pretty much get something within seconds that you wanted to hear or see. We can still offer local content to go with the context but I know that the audience has so many choices. Television is the perfect example of this. When I was a kid, there were four networks (CBS, NBC, ABC and PBS along with a local channel or two). On the playground as a kid or as an adult at the water cooler at work, the odds were pretty high that somebody watched the same thing that you did the night before. That collective experience of watching television no longer exists. Hit television series used to garner fifty million viewers. Now a hit show is successful if it's reaching seven million viewers. It's difficult to find a room with ten or twenty people where a fraction of that number watched the same thing. There are just too many channel choices.

I bring this up because it does factor in knowing that it's not a good thing to raise prices. Business and individuals are now being charged for everything left and right for things that were easily available at a fraction of the cost it is now, along with paying for new items that somehow have become a fixture of their lives. Those items have become a big expense with cellphone service and cable television bills on average over one hundred dollars for each service. Sometimes they're a packaged as an Internet provider as well which factors into the cost. We want to help bring business to a client and get paid for doing so while entertaining a mass audience that is shrinking everyday.

8. If you could use any means to pay your organizations operating cost what would it be and why?

It would all relate to the various revenue streams that I've mentioned earlier. It has to be this way because change is coming and the industry has got to evolve or die. Like most of our clients, we are looking at rising costs of items and services that we need to operate. Electric bills for radio broadcast towers are in the thousands, unlike an average homeowner. Costs for power alone can shut down a radio station if a simple bill like that cannot be paid. The reality of radio is that a lot of it in our market has resulted in the most successful station in a radio cluster often has to pay for the under achiever in sales goals to cover costs. That can spell disaster in the long run as one successful station has to keep paying for the

remaining operating costs of other radio stations. It can be a challenge if a broadcast company ends up like most Americans, in a sense, living paycheck to paycheck. There should always be a buffer so that employees are paid on time and the basics like electricity, telephone and Internet access remain available. Notice that I mentioned Internet access as a basic? That's something that was never on the mind of a broadcaster back in the eighties. .

Could we go to a "pay radio experience" with AM and FM? That's unclear as an industry. Television did it. We used to pay for our televisions and had an antenna to reach the free signals just like radio. Now television is completely digital, so those antennas are worthless and we access television via cable or satellite that we pay for. We pay for something that we used to get for free. We get all these channels that most of us watch only a fraction of but we're paying for them. Music may go subscription based if the music industry wants to survive. Musicians, performers and songwriters may derive all their income from subscription based music services as do actors, directors and producers from films on subscription based cable television. Will radio soon follow. Maybe...but not for awhile. Radio may just end up completely on the broadband net or digital cloud in the distant future. I don't know if I'll be around to see the complete demise of terrestrial radio but the future is uncertain for the radio industry that I grew up in.

9. In regard to different business models, do you have you anything I did not

ask that that you might have to say?

I referred earlier to content versus context and that's often a discussion of art regardless if commerce is involved. In the early eighties, I often heard about the paradigm shifting. I could see it coming and yet was unsure what those changes would be. The content of what we broadcast is the key to attracting an audience. How we deliver it has changed dramatically behind the scenes. In the late eighties, I had a chance to work at more than one radio station, completely different companies. As the years progressed, I began to continue doing that. There was never a conflict of interest because my main focus has been programming what the listener heard. After the *Telecommunications Act of 1996* was signed by President Clinton, it was the first significant overhaul of United States telecommunications law in more than sixty years and one of the restrictions lifted for broadcasters were how many stations that they could own in one market. The island of Maui was actually the first location in Hawaii where suddenly there were five stations in one building. Oahu soon followed as did the entire country. Since one of the companies that I worked for ended up being sold and becoming part of a group, I quickly realized that one building did not need a five twenty-four staffs to keep all the stations running. Bring in the digital hard drives and the fact that the air talent in most cases did not have to even be on the air for four or five hours with capability of recording an entire radio show in less than hour, there wasn't a need to have an announcer in the studio booth all day and all night. So in less one month, four of the five staffs from the other radio stations were let go to keep the costs down. Some remained on as part-timers

who could record their programs for a few bucks a day for that hour in hopes of still being a talent that the radio audience could still relate to on a human level to remain listening. The personality of radio is still strong but it's often only in the morning for most broadcast stations. Sometimes a live afternoon radio shift might be in the mix but most often that is not the case. Outside of may happen in a disaster scenario is debatable outside of this discussion. What is important is that future talent is losing out on those other hours that are now primarily automated across the entire state of Hawaii and the nation. Those late night graveyard shifts is often where most of the talent of today and yesterday came from. Future broadcasters will be learning something completely different by simply being chosen to speak their voice into a computer for a half hour or so to give the illusion of a four to six hour radio show and then leave the building as quickly as they came. I'm not blasting the changing of technology. I came into broadcasting in the seventies when most radio stations still used technology from the fifties and sixties (in some cases - the forties), so I've played music on turntables with vinyl records, broadcast carts, reel to reel tape, cassette tape, CD players, DAT machines and now from a hard drive in most cases. Technological formats to play music will always change. I've seen four speeds on a turntable and different tape formats in my first twenty years on this planet so change was expected by me. I have problem with where the music comes from or any kind of audio. I was surrounded by many professionals in the late eighties and nineties who would not embrace the digital hard drive. They did not want to learn. I witnessed a mass exodus of professional broadcasters toss their towels into the

basket and leave radio for good because it was a change that was too scary and unfamiliar with them. It was unfamiliar to me to but I was willing to learn (and I'm still learning) but as I mentioned, it doesn't matter what technology I use to share the content. It's still about execution and knowing my craft as it was in the seventies when I began as a kid who hung around radio stations and asked questions. The women and men that I idolized back then were very forthcoming with their craft because they came into the radio business often the same way. That's the aspect of radio that I am sad to see disappear. Those twenty-four broadcast staffs no longer exist at just about every radio station in the nation. There isn't much opportunity for a kid today to call up a disc jockey in the late afternoon after school or in the evening to come by and see what happens in a broadcast studio and perhaps get bitten by the radio bug. The chance to hang out and learn in this after hours scenario that a few generations had the opportunity to do and build a career is sad thing to see go away. Those after hours were the training wheels for just about everyone in radio for decades and it's extremely competitive in today's digital world where there may just be one four hour slot open at a radio station and you have to deliver right off the bat. Slim pickings for sure.

I love this industry and it will be a thriving industry as long as it evolves with changing times and embraces even what it's competition is doing. The end result is that all media is trying to connect with the end user. Content is what we say; it’s our message. Context is what gives meaning to our message, or more

precisely, that which gives meaning to the text. By setting the appropriate context, preferably ahead of time, there is a greater chance that our content will be received and understood by the radio listener. It doesn't matter if the listener is using a phone, pad, computer, radio, television or an implant in the brain. If we don't have both content and context to serve our end users, it doesn't matter how we find a way to pay for our media delivery.

NORMAN NICHOLS

1. ***What is your name and title?***

   Norman G. Nichols, President of Electric Petroglyphs Graphics Inc.

2. ***How long have your worked in (State media type, TV Radio, Newspaper, Print)?***

   My Primary media related work has been in TV and Video, we started our first company in 1971

3. ***5 years ago how did your organization pay operating costs? How about 10 years ago? Any difference?***

   Our company has worked in the three main areas of the television industry, production, service and sales. Five years ago the transition of the television industry had finished the crossover from analog to digital. The cost of production in the sub broadcast or industrial market was declining as the advancement of the digital/computers, production and camera equipment required to satisfy the demands of those venues had become so affordable that competition in those markets was no longer so expensive and/or prohibitive because of acquisition costs to compete. Anyone wanting to get into production services could easily buy equipment and start a business. Issues of quality and production value suffered and our ability, coming from a long and educated background in television, allowed us to generate revenue by offering

services and equipment to solve many problems and correct mistakes by neophytes trying to break into the business created.

Broadcast and high-end production was well into its conversion to second generation digital but the cost of entry at that level had spawned a plethora of choices in equipment that allowed companies or stations to capture business by using proprietary equipment, formats or services thus locking out competition. That scenario still exists today but it is slowly giving way to common or open source media formats in order to allow media compatibility in the marketplace. The ability for us to generate much business in this arena was limited as we were locked out of the market because the amount of equipment that we would have had to purchase which kept us from being able to create revenues by supplying services.

Ten years ago this was not the case there were dealerships and lines of supply where we could buy or source equipment, from that we could sell or we could buy that allowed us to provide sales and services to generate income by supporting both the broadcast and industrial market place. Competition was still somewhat limited geographically because of the cost of importing equipment or services that were available locally was affordable providing us more potential sources for revenue generation.

4. ***Has the way of paying your operation costs changed today? If so How?***

All of these factors have continued to erode our market up to and including the current time frame. This change has been pushed or fueled in part by large box resellers utilizing the new electronic delivery systems like the Internet which has allowed a much broader market to provide our industry access to less expensive options. Also with the advent of cheaper equipment and services the competition has increased, the influx of online companies has allow Internet based companies to compete in our marketplace at lower costs, taking advantage of tax breaks without the local overhead that we incur. In many cases the access to services electronically has made competition harder for local companies by making our ability to compete more expensive to supply the same services to our marketplace. This has caused a decline in local business to a point that the loss of businesses supporting the industry locally has been dramatic and detrimental. In our case the advantage we used to have by having legacy analog equipment is at its end because the cost of owning, repairing or keeping it serviceable is becoming cost prohibitive but it has become an advantage to companies in larger marketplaces because of the volume they have access to andt we find it harder to supply our services to and still be competitive.

5. ***What other ways do you know of that your organization can pay operating costs?***

Like any other small business innovation and creativity is our salvation so as the market continues to change so do we and we look to new services or niche market where our history and expertise give us an advantage for services we can offer. Chasing the development of new technology is only really affordable to large companies or companies with significant monetary resources, so in a small market place we use creativity or specialized services as they relate to the new changes to be able to generate cash flow.

Anyone with an Amazon account can now buy equipment and supplies generally cheaper than we as company who have dealerships can sell and ship the same items. In some cases we can be competitive with Amazon who isn't responsible for having to survive our customer base if items are defective or if they break. Dealers support the products they sell for the most part but customer loyalty has declined in the face of price. This has created in part a disposable market or industry which is in some ways is understandable given the cost of the equipment that is being used to provide services today.

6. ***Explain what other methods of generating income your organization has tried? Have they been successful?***

We are now looking at services that are time sensitive. Because of our location we do enjoy a level of success to attract business that can't be done electronically and which is needed quickly. Customer support and quick

response has allowed us to continue to pay our bills as our customers need for goods or services can't be matched by outside companies doing business electronically.

7. ***What are some of the changes in media, that you see that could manifest in the coming years? , How would this change you charge for your media service?***

   The continued development of technology will drive the business that will be done for the larger or mass markets. It will be primarily electronic in nature and won't be time sensitive for acquisition. Our advantage is that we will be able to respond quicker but it will be more expensive for our customers, but pricing will be important. If we are too expensive then business will be lost to outside competition and our customers will choose waiting longer to save money.

8. ***If you could use any means to pay your organizations operating cost what would it be and why?***

   The salvation of small companies will be to find unique or niche goods and services that our customers want or need to have access to locally. If it were possible I would move our main business to the mainland and keep only a

representative presence locally and use our knowledge of the marketplace and of our customers to do business electronically.

9. ***In regard to different business models, do you have you anything I did not ask that that you might have to say?***

It is important that when doing business in this market that anyone who is looking to start, buy or relocate a business here keep in mind that Hawaii is 2500 miles away from everybody. This creates an atmosphere that means we are as much isolated from other markets as we are insulated from them. That has be overall an advantage in the past but with the shrinking global electronic marketplace that advantage has now become detrimental to our local business environment and we will see successful business models based on services and easily moved product as the predominant business base and hard goods and services will struggle unless they have a unique product that can capture a broader market outside of Hawaii.

ROSS NAGATANI

1. ***What is your name and title?***

   Ross Nagatani, Audio Engineer.

2. ***How long have your worked in (State media type, TV Radio, Newspaper, Print)?***

   I have worked in the audio industry for over 32, let's see….32 years.

3. ***5 years ago how did your organization pay operating costs? How about 10 years ago? Any difference?***

   I work primarily on music recording and production. In the past we did our music but also had to fill in with doing radio and television audio production to fill in between album jobs.

   Forest: Why is that?

   Ross: Production gear was very expensive and just to pay for it, it had to be generating revenue all the time just to pay for it. So if you need something done in audio we did it.

4. ***Has the way of paying your operation costs changed today? If so How?***

   The price of recording and production equipment has fallen drastically. I no longer need a large sound booth and two rooms full of production gear. I can record almost anywhere with a couple of microphones and a laptop.

Forest: What about music distribution? Has that changed?

Ross: Oh yes it has, in the past we needed to get a music publisher and distributer, they had to made the CD's and they did the distribution of the albums. For this they took a large cut of the sales. Today I can burn my own CDs and sale to whoever I want.

Forest: Do you sale online?

Ross: Oh yea, we do. With the Internet most of our sales come right of the bands page ad MP3s or we even sale through I Tunes. We make very few CD's any more, with the Internet the customer can by the whole album or just a song or two, and all the cost of distribution are gone.

Forest: Gone or shifted to the consumer?

Ross: I guess you are right they pay for all the delivery costs, with their Internet connection.

5. ***What other ways do you know of that your organization can pay operating costs?***

   I do music work for people all over the country by using the Internet, they send their elements I do clean up, mix and finish then the finished product.

6. ***Explain what other methods of generating income your organization has tried? Have they been successful?***

   I have tried to sell production over the Internet, but that did not work out so well.

   Forest: What happened?

   Ross: Everyone wanted free music, almost no one wanted to pay for my music……I am not in the business of giving things away.

7. ***What are some of the changes in media, that you see that could manifest in the coming years? , How would this change you charge for your media service?***

I see almost every thing I do being done over the Internet, except maybe the recording or live music. You will be able to get the best people working on your project from all over the world. Then selling your product to everyone right from the computer in your living room. That would sure cut my overhead.

8. ***If you could use any means to pay your organizations operating cost what would it be and why?***

If it were me I would love to have people pay something every time they listened to my music. At home, in there IPods, on the radio and on TV. They would stream right off my server and they would not have a digital copy, to copy and share with friends. I would get a little money every time someone wanted to hear my music.

9. ***In regard to different business models, do you have you anything I did not ask that that you might have to say?***

I think digital has been a real blessing and a curse. It has made it cheaper for me to make my music and distribute it, and it has also made it easier to copy and steal from me. More and More of my business is going to be done with the Internet. I see no other way with out going back t the old ways. But I am not sure how it is going to have to change to be perfect.

RYAN OZAWA (Interview was conducted via e-mail, the expert did not want to meet in person and be recorded.)

1. What is your name and title?

Ryan Ozawa, blogger and media maker.

2. How long have your worked in (State media type, TV Radio, Newspaper, Print)?

Including time at college newspapers, I've been in media since 1994, and started experimenting with online publishing that same year. I am an online publisher.

3. 5 years ago how did your organization pay operating costs? How about 10 years ago? Any difference?

Ryan:

Ten and five years ago, publishing articles, audio podcasts and video clips were a personal passion, and expenses were paid out of pocket. Certainly, the online medium and pervasiveness of free or low-cost services mean those expenses or minimal.

Newspapers:

Ten years ago, papers were mostly paid for by advertisers, there were subscriptions and news stand income but this mostly paid for the costs of distribution. Most of the income came from advertisers. This is also the time that newspapers started to add a online presence but it was mostly for marketing and they made very little or nothing from this.

Five years ago newspapers still got most of their income thru advertisers but their costs started to go up and their competition started to increase form free online services, like craigslist and online media services. Newspapers had given away their online services and when they started to charge for them, the public was not used to paying for those services and a large percentage went toward free online services. It was not bad that they gave away their services, but they were very slow to get online advertisers to help pay the online costs. I think they thought that people would use their web presence to drive readers to the paper, but that did not happen.

4. Has the way of paying your operation costs changed today? If so How?

Ryan:

Modest revenue has been generated through third-party advertising services, primarily Google, that have covered the limited costs of my online channels.

Newspapers:

The advertiser base has become more competitive and there are not as many advertisers see the newspaper in the same way they did in the past. The readers have also changed and are not as willing to have a paper delivered with news that is up to a day old, they also have competition with the free news that is available online, such as CNN, ESPN, Yahoo and many others. You can see that the local new paper is charging for most of their online services and the physical paper has become much smaller to save printing and delivery costs.

5. What other ways do you know of that your organization can pay operating costs?

Ryan and Newspapers

Organizing and promoting events have been a successful revenue channel for many media organizations, and have become a primary channel for other disrupted media industries (i.e. the music industry). Subscriptions (direct consumer support) seems the most plausible, but sadly often unsuccessful revenue source except on a vastly discounted basis. Sponsored content is also popular, though in my opinion has a negative impact on an outlet's credibility, which is its most important asset.

6. Explain what other methods of generating income your organization has tried? Have they been successful?

Ryan:

In my case, I have generated revenue primarily through freelance content creation, mostly writing and video production. Collaborating with others to organize events, we have also secured sponsorships.

Newspapers:

I have seen papers do the whole auction thing to try to get readership up. They have been much more aggressive in selling subscriptions and have made their websites clear that you have to pay to use them and their archives.

7. What are some of the changes in media, that you see that could manifest in the coming years? , How would this change you charge for your media service?

For the foreseeable future, most consumers will expect and gravitate toward free content, supported by advertising. I expect the effectiveness of that advertising will evolve faster than the content creators will be able to change their base business models. I similarly don't expect to convince my limited audience to pay directly for content. Broadly speaking, I do believe daily**,** general interest newspapers will eliminate the print components of their business completely given the substantial logistical costs and the persistent news cycle. But surviving on online advertising will mean huge reductions in resources that will mean only a few, large players will survive. My belief is that there will be a migration toward serving niche but passionate constituencies, be they "hyperlocal" or topical (i.e. food, technology, fashion).

8. If you could use any means to pay your organizations operating cost what would it be and why?

Through direct (rather than Google-provided) sponsorships of my content... once I've better identified my niche, refined my content and strengthened my audience.

9. In regard to different business models, do you have you anything I did not ask that that you might have to say?

I think the increasing prevalence of "sponsored content," "special advertising sections," and other blurring of the lines between genuine content and sales

content is the most attractive, but most dangerous, route to revenue most media outlets will pursue.

NAME WITHHELD

1. ***What is your name and title?***

   Name withheld. Public Broadcast Professional.

2. ***How long have your worked in (State media type, TV Radio, Newspaper, Print)?***

   I have worked for PBS Hawaii for over 19 years

3. ***5 years ago how did your organization pay operating costs? How about 10 years ago? Any difference?***

   Traditionally, PBS Hawaii's pillars of funding have been businesses, government and individual donations. I don't see this model changing anytime soon, although, with the changing economic climate, the station is aware that it not only needs to nurture these resources carefully, it also needs to look for or perhaps create new opportunities for funding. (I am including this link again; it is specific to PBS Hawaii and contains more detailed information on its funding sources:

   Forest: What are some of these sources?

   PBS: We get a large of our operating expensive paid for the local cable franchise fee, Most of our programing is paid for by the Corporation for Public Television. We do not get money fro CPB but do get credits I that we can pay for national programing with.

We have local corporate and private sponsor that help pay fro local programing and station operating costs.. Pledge drives are central to PBS Hawaii's financial health, as they provide a good amount of the monies the station needs to keep running. Fundraising goals for individual pledge programs range from the low hundreds to the thousands. Locally produced pledge shows featuring local talent can have preliminary target goals reaching into the ten thousands. Overall pledge period targets can range from the low thousands to the hundred thousands, depending on the length of the pledging period, which can be anywhere from one night to about two weeks.

Success in reaching pledge targets varies. Shows which are predicted to do well sometimes tank, while others which seem questionable and sleepy do spectacularly well with viewers and donors. So a $10,000 show can sometimes bring in only $2000, while the opposite can happen with a $2000 show. And sometimes a $10,000 can bring in $25,000.

The special fundraising events which the station holds also have target goals in mind, whether in actual money or not. One hopes that an event which costs thousands to put on will at least break even in donations received. Unfortunately, this does not always happen, which can lead to the re-evaluation of the event's viability.

The station also receives donations in other forms, such as art, cars, and estate gifts. Such donations are a small part of the station's overall funding, but are welcome nevertheless.

Forest: anyone else?

PBS, Oh yea I forgot our private members. Gosh I don't know how I have for gotten them.

4. ***Has the way of paying your operation costs changed today? If so How?***

   Not much has changed, To this end, PBS Hawaii has tried other methods of fundraising in addition to its traditional pledge drives and direct mailings, including events such as a wine tasting with silent auction and special screenings of programs to which current and potential donors are invited. PBS Hawaii's Keiki Club hosts special events such as holiday parties for its members. And other organizations have also held fundraising events for which the station is the beneficiary. These methods have met with mixed results financially.

5. ***What other ways do you know of that your organization can pay operating costs?***

   I know that we have tried to get oceanic cable to pay for our programming like they do with the commercial stations, but this has never worked out. I don't really know the nuts and bolts but I think we have tried and Oceanic has just said either you provide us programing for free or we will not carry your programing. My feeling is PBS is not a big draw for people getting cable.

6. ***Explain what other methods of generating income your organization has tried? Have they been successful?***

As I said we have tried any thing that can generate revenue and some have been very successful , like our pledge drives and some have not worked too well like the parties and auctions.

Forest: Have you tried to provide your programing over the Internet?

PBS: PBS national would love to have all our programing over the web, but there are some real hurdles to that. It would save large costs in transmission and delivery, but only our viewers that have Internet access would be able to get our programing, and that is not part of our mission. But they are providing more and more programing over the Internet, if they can transition without much back lash I think they are ready to move that way. If we were a commercial station I think we would be looking at the at idea much harder.

7. ***What are some of the changes in media, that you see that could manifest in the coming years? , How would this change you charge for your media service?***

The following is speculation on my part, as I'm not privy to this level of management, but I don't expect the way the bills are paid to change drastically. Funding is as funding does, and I think it unlikely the station could be 100 percent self-sustaining. Good, strong partnerships with the community are the lifeblood of PBS Hawaii. However, the station should—and probably

does—keep its mind open to revenue-generating projects, as long as they do not compromise the station's mission nor damage its reputation in the public's eyes. Such projects must therefore be considered very carefully and with a great deal of thought.

In this rapidly changing world of media production, delivery, and consumption, generating revenue can be tricky for public broadcasting. To charge, or not to charge? I can't speak for PBS or PBS Hawaii (or public radio), but I'm sure there have been conversations regarding this very question, on some level, somewhere. And I'm sure the biggest issue is one of perception: Is it right or proper for "public" television to charge for the use of its services? And what services? People already don't like the regular fundraising drives; they'll probably dislike a "pay per view" or subscription fee for something they can get "free" just by turning on their sets.

To that end, I don't think direct charges are likely to be implemented, either by PBS or PBS Hawaii, any time soon. (However, I note that PBS has "sponsored" ads on its website. PBS Hawaii does not.) The philosophy is to make as much as possible available to as many people as possible.

8. ***If you could use any means to pay your organizations operating cost what would it be and why?***

Any Means? I think PBS would love to have all viewers become Members and pay for the programing they want to watch. Do I think this will happen, No?

9. ***In regard to different business models, do you have you anything I did not ask that that you might have to say?***

For station operations, changes in how we receive and deliver our media over air will continue to evolve and change. We are moving away from being primarily tape-based. Different ways of delivering source media, such as through ftp sites, are becoming the norm. PBS has already implemented another method of providing certain shows as data files via a computer network. This complements the current satellite feed process already in use; it does not replace the satellites. However, there is always the possibility, should technology allow, that the file-based method could become the primary delivery source.

There could also be a time where the human factor could be reduced, and we rely primarily on automation for certain operations, reducing personnel costs to the station. Neither of the above situations would affect how we “charge”

for our services, though who knows? Maybe reduced personnel costs would result in fewer pledge drives, since operating costs would theoretically be less. Or, conversely, those pledge drive bucks could provide more bang in covering more of the remaining costs.

JAN SWIFT

1. ***What is your name and title?***

   Jan Swift, Liberian , State of Hawaii

2. ***How long have your worked in (State media type, TV Radio, Newspaper, Print)?***

   I got my literature degree in 1993, and have been working for the state library system for 18 years**.**

3. ***5 years ago how did your organization pay operating costs? How about 10 years ago? Any difference?***

   We are funded by the state. We also have small fund raisers, such as book sales through the year.

4. ***Has the way of paying your operation costs changed today? If so How?***

   The biggest changes has been the price of books, they have almost doubled in the last 5 years. Our budgets have not been able to keep pace with this rising cost. We are taking more donations of books than we have in years past. Other than that it has not changed much at all.

   Forest: So it is the same as it was 5 years ago?

   Jan: Funded the same, but we have had to cut staff and hours to meet budget. Less new books and less new libraries in the newer communities.

5. ***What other ways do you know of that your organization can pay operating costs?***

   I know it has been kicked around that we start charging for a library card and maybe even a yearly fee, but this has gone nowhere. We provide a service and like most of the other governmental services we just provide less when the money gets tight.

   Forest: Do you think you might charge for your services?

   Jan: I really don't know , it depends on the political climate at the time. I won't rule out the possibility.

6. ***Explain what other methods of generating income your organization has tried? Have they been successful?***

   The friends of the Library have been a lot of help for raising funds. We also get grants and private donations,

7. ***What are some of the changes in media, that you see that could manifest in the coming years? , How would this change you charge for your media service?***

   The continued existence of books has come under fire before, with the advent of such earlier technologies as radio, TV and movies. However, those are now

part of everyday lives and still the book remains. Now there are predictions that printed books will disappear with the popularity of e-books. Maybe, maybe not.

Yes, e-readers and e-books have changed the bookselling world. The most recent example is the closing of Borders, although there were certainly other factors involved, but e-books had a definite impact. Other bricks and mortar stores are also feeling the impact of e-books, including Barnes and Noble, the other mega-bookseller, through, among other factors, smaller customer numbers. Even used bookstores are probably feeling the pinch, or are going to, with less inventory coming in as well as fewer customers.

An e-book store has several advantages over a real-world one—fewer overhead costs such as rent and storage space, open 24/7, just to name a few.

Publishing costs for an e-book are less than traditional print, and could potentially reach more readers in a shorter amount of time through downloads. (Still, an in-store event for the release of a new Harry Potter book also has the potential for bringing in a large amount of customers as well as encouraging them to buy and read other offerings through special displays, not to mention that it sounds like a lot of fun.)

Purchasing costs are also less. $10 for an e-book versus $27.95 for a hardcover? How about the free books offered through providers such as Google Books? I can see which option looks more attractive to someone on a tight budget. And since the e-book is downloaded, there are no shipping costs involved.

E-books are also more convenient and more easily stored. One e-reader can hold thousands of books. One household bookshelf? Considerably less. And where are you going to put all those bookshelves? Is your living space big enough? Plus, bookshelves cost. Even a cheap one can run in the $40 - $50 dollar range.

For traveling, nothing beats an e-reader; you can take your whole library with you, if you want. With traditional, printed books, you really have to make some hard some decisions because of weight and size. Do you take two hardcovers or four paperbacks? Are you willing to lug them around as you tour Europe? Or climb up to Macchu Picchu? And what do you with them once you've finished reading them?

So the world seems to be pushing us towards e-books, since it seems the printed word appears to be going the way of the dodo anyway. But e-books cost in their own ways. In order to read an e-book, you need a device of some kind, whether it be an e-reader, PC, laptop, smartphone, or tablet. These

devices aren't cheap. You'll also need some sort of connection plan, so you can buy and download the e-books. It also costs to power such devices, so those add to your electric bill. Plus, you'll need a carrying case to protect it. And although you buy an e-book, it isn't technically yours, as early Kindle adopters discovered one day when they found a book they had bought had been deleted, without their knowledge or a refund. You can't lend an e-book to someone, or donate it, or sell it used.

When you travel, you have to take all the electronic accoutrements with you: charger, adapter, converter (if needed). Plus, you'll have to carry it with you all the time, for theft prevention. That can be added bulk if you plan on doing a lot of walking, or do a lot of roller-coaster riding. If you plan on camping or spending a lot of time on the beach, how are you supposed to keep it charged, or keep it clean and dry?

So that "free" Google Book might end up costing more than a traditional printed hardcover. And it probably won't be the latest bestseller, either, due to publishing rights.

While e-books may help hasten the demise of bricks and mortar bookstores, especially the larger mega-booksellers, at the same time they may encourage the resurrection of smaller, independent bookstores, ones which were lost

when the mega-sellers such as Borders and Barnes and Noble became popular. Many readers still prefer the experience of browsing shelves, handling books, perhaps sitting at an in-store and reading. Independent stores can offer a level of customer service that is not always available with a mega-seller. Smaller booksellers would be able to get to know their customers on a fairly intimate basis and be able to anticipate and fulfill their customers' needs. Having a smaller space with fewer offerings could also mean the return of specialty shops, stores which concentrate only on mysteries, for example, or sports, or foreign literature.

There is a place in the world for both high-tech and low-tech reading. The two methods should complement each other rather than compete for supremacy.

8. ***If you could use any means to pay your organizations operating cost what would it be and why?***

Personally I would like to see the users pay for the use of our public library system more than they do, they are the benefactors and I think there should be a user fee like the Bus or other governmental services.

9. ***In regard to different business models, do you have you anything I did not ask that that you might have to say?***

I can't think of anything.

KIMAN WONG

1. ***What is your name and title?***

   Kiman Wong

   Director of Wireless, Home Phone and Government Relations

2. ***How long have your worked in (State media type, TV Radio, Newspaper, Print)?***

   I have worked for Oceanic since 1994, So almost 20 years.

3. ***5 years ago how did your organization pay operating costs? How about 10 years ago? Any difference?***

   Primarily all cable TV. Cable TV was the biggest one, different types. Started out with local re-broadcast and then the cable networks came into play, premium channels, HBO, Showtime and then Superstation TBS, all that kind of stuff. Then about a little over 10 years, actually ’97, Internet. We started doing Roadrunner. Those were the two primary services. Ten years ago, 2003, Internet was catching on but not huge yet. So there were only two things.

   5 years ago we added on, we started to say okay, a lot more channels, much more TV. Internet grew. So Internet business grew, the number of people in the Internet grew. In 2005, we actually started doing home phone. So that

was the telephone company can do it, we can do it too and we can do it better. So we started doing that. So we added on …basically just grew, grew more the Internet , grew Internet quite a bit larger than it was, cable kinda stayed about the same, and phone was just starting out.

2005? 2008?, cable probably still 80% of the business, Internet probably 15 and 5% was phone.

4. ***Has the way of paying your operation costs changed today? If so how?***

Where the margin comes from has changed. The TV side margin has gone down and the networks have been increasing their prices quite a bit. And of course that doesn't necessary mean we can just raise our prices. The percentage of margin has gone down for that. Internet in certain extent has gone up because the cost of the network has gone down because of technology advancing and what used to cost $250,000 cost $5,000 now, the computers and all that. But at the same time the speed has increased quite a bit and the need, the wants of the consumer has gone up so we would never be able to provide 2 megabits per second and have everybody really overjoyed about it. So in order to provide that higher analytic we actually spent more money. But I think over all the margin is greater on the Internet. Phone actually has gone down. Phone has got a lot more competitive. Telephone companies were a little slow to catch on that we were competing against them and when they did, and of course, they had to react. So then they lowered their prices and we

again lowered our prices. Price battle. So phone has gone down a little bit. It's basically Internet if anything.

Forest: Don't you also have Home Security?

Home security is just really starting right now. That's a very small part of our business at this point. Less than 10%, pretty small.

5. ***What other ways do you know of that your organization can pay operating costs?***

The ones that I'm working on is wireless. The wireless area is something that we've dove into. Because traditionally with cable we serve you at your home or we have commercial serve you at your business. If you're outside, we have no way of serving you. So we lose out on providing service to you in all those other places when you're out. So cellular phones have come on and they've provided phone service and such and people love that. And you can use it anywhere. And so we've gotten into wireless. We've partnered with, we first partnered with Clear and now we're partnered with Verizon wireless and providing some services that we can bundle with our home or wire based services. The latest one we're working one is Wi-Fi, putting Wi-Fi all over the place so that if you have our "We're going to service our home" service you can get Wi-Fi for free. So that's a big push for cable companies right now. There's over a 175,000 Wi-Fi hot spot in the country now that weren't there a couple three years ago. And so it's providing Internet access wirelessly. That's a fairly big initiative. Be interesting to see how that turns

out once we get it all going and how the business side of it, the economic side of it cause right now it's for free. If you have roadrunner at home, you get this Wi-Fi stuff for free. We're not getting anything, not more revenue.

Forest: you are not planning to charge for it?

Nope. We'll see how it all … we're doubting it and maybe at some point we do have to figure out economic or get some revenue from someplace else. But not at this point.

The initial 4g stuff we did, we partnered with Clear and Clearwire. They did bet their farm on Wimax. Which here, Wimax and coupled with the frequencies that they used didn't have great coverage. And building a whole Wimax network is very expensive. So that was a good learning experience. I don't think it was economically very good for either of us.

6. ***What are some of the changes in media, that you see that could manifest in the coming years? , How would this change you charge for your media service?***

You see the hints about what you were just mentioning a while ago about Internet marketing and that's more traditional mass media marketing of print. In print, newspapers are having a tremendously hard time; magazines are having a hard time. So those traditional publishing kind of stuff I think are, and so the other types we have. We have broadcast ones and broadcast ones are having a fairly time. The so-call linear channels, where there's show and

there's commercials and people record them. They fast forward through then commercials. So there's a challenge there and it still kind of continuing a way it's been for quite a while but so we'll see how that goes or changes. If streaming stops streaming, if you watch stuff on the Internet, you have the same ads. You can't really fast forward through any of the streaming, you can't record it and then fast forward. And so that's kind of one way the ads are paying for things. I think the difference is just the timing. I think that before the timing for the print something and create a 30 second spot or 60 second spot or something like that, that was quite a bit of time and money expended into that stuff. And now people are not willing or not used to waiting that time. Some want it quicker, and it may not be as higher quality type of stuff but still for the amount of money you spend maybe it gets the message across. I see things gonna develop in that area. That's what I think.

7. ***If you could use any means to pay your organizations operating cost what would it be and why?***

That's a hard question.

Consumer pays us. In theory they only pay us if we're paying the broadcaster for it. And that used to be never the case. We were actually taking their signal and we had a re-broadcast agreement with them that said what you normally put over the air we'll re-broadcast without you having to pay us to do that. In essence if we didn't pay them that wasn't part of the expenses that we needed

to recoup. But that has changed, that's changing where broadcasters now want money. They're saying we're making money off it . Well, that's very arguable about whether we're making money off of that or we're making money off of other stuff that we are paying for. To me, it's just a matter of the technology and how the economics has to work. Somehow if there's some cost, we've got to get paid from somewhere. It just doesn't come out of nothing.

It really depends. To me the best way to make money is charging people for stuff they want. So that has kind of changed. Where people don't necessary want to watch a linear full time channel; they want stuff streaming and they want it when they want it, they don't want to wait until tonight to watch a program. They want that kind of stuff and I think they'll be willing to pay for that type of. It's really making everything on demand and everything ala carte as well. I think we've been criticized for saying well I have to buy this package from you and I can't, I don't watch all those other channels. Well not necessarily our choice here. We buy it from the networks and the networks say you want ESPN and Disney then you better buy all these other channels as well because they come in a package. I don't care if nobody else wants to watch them, they only want to watch ESPN and Disney. It would be nice if we could separate it all out and people pay for what people want and not necessarily dividing it the way you asked, it's somewhat different there. It really makes everything ala carte and on demand.

Forest: So do you think everything will be on demand?

It's getting there. It's not there yet. You can't get an HD quality video on air. No matter what they say. You cannot get that same quality on the Internet. You can get something definitely worth watching. You can watch Netflix, you can watch other streaming stuff and it's pretty good but it's not the same.

8. ***In regard to different business models, do you have you anything I did not ask that that you might have to say?***

You were talking about what it's going to cost the consumer. I've thought a little bit about that. You assume that people will have to buy a computer and Internet access and stuff. And in most cases, that's true. People do buy a service and they have their own equipment. But actually to me, there'll be places where it's actually free. There are public places where it's actually free. I think a number of those places probably will increase. Just like you have free papers, maybe that will go away and you'll have free informational kiosks or I'm sure it will be more sophisticated than that. They may get to a place where tablets throw in, and if you can get onto free Wi-Fi, you're not gonna to get everything but you're gonna get kinda the public stuff. As we work through the Wi-Fi systems and stuff, there are places like municipal places that say we'll allow you to put stuff on our facility but you have to provide something free to the general public. Most of them want connectivity to their public services, the government services. So we'll say okay that's

fine, we'll do a wall garden. You can get all these things for free and if you want more than that then you have to pay. I can see stuff getting in there. I think there'll be things that are free, that won't cost the consumer anything. And of course there will be stuff that they have to pay for and will pay for only if they really want it. And the economics will have to work.

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