

Promotion and Resistance: The Difficulty and Resolution of Establishing News Paywall in China

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Abstract. The news paywall, an access mechanism for news providers to implement pay-per-read for online news and information content originated in the U.S. news industry, is seen as an essential part of the news industry's profitability model in the Internet era, comparable in importance to advertising. However, the development of the mechanism in the Chinese news market has yet to be satisfactory, and its promotion has been repeatedly blocked. Few scholars have comprehensively evaluated the differences in developing and promoting the new paywall in Chinese news market from political, economic, and cultural aspects. Hence, the study adopts a case study method to analyze the difficulties in developing and promoting the news paywall system in China in terms of the composition and function of the news industry, and the public's understanding and perception of the news industry, and the news industry's adopting a pay-for-content strategy. Eventually, the paper aims to provide corresponding solutions by incorporating the U.S. paywall development experience. This study argues that balancing the development of news media's functions of guiding public opinion and providing professional information services, activating the social attributes of paywalls, and clarifying charging strategy can help with the development and popularization of the news paywall in China's news market.

Keywords: News paywall, news industry, case study.

1. Introduction

The development of Internet technologies and digital information platforms in recent years has transformed global journalism production and dissemination. Despite their professionalism and authority, traditional newspapers have retained their seats in the industry in the new media era under the impact of self-media by publishing their news online. Profitability remains a problem that plagues them.

Advertising was once considered an important way to support news outlets. However, ads unrelated to news content have been proven to be a flawed, gainful way to monetize news as the demand for income grows. Too many advertisements on the news page occasionally erode audiences' interest and interfere with concentration. According to HubSpot Research, users typically have four concerns about advertising: it is annoying and intrusive; it is disruptive; it jeopardizes the security of personal information; it affects load time and bandwidth usage [1]. Furthermore, even if the updated ad formats make readers feel less annoyed, advertisers are reducing the content placed on some news media, given that social media has higher conversion rates. The news industry lost approximately 30 billion dollars in advertising between 2006 and 2014, according to the Pew Research Center's report, *State of the News Media 2015* [2]. Meanwhile, to a certain extent, the reader's frequent use of the clean reading mode of the browsers and ad blockers slashed advertising revenue. Global news publishers eagerly needed a more diversified profit model to effectively monetize their costly premium content, and the paywall system was born.

A paywall is a system that online publications use to restrict access to their content. It acts as a barrier between the readers and high-quality content. Only users who have a paid subscription or a paid membership can view the works behind the "wall." *The Wall Street Journal*, an American famous newspaper leading the way in chronicling the rise of industries nationally and internationally, set up the first online paywall in 1996. In the 2010s, following in the footsteps of it, *The Times* and *The New York Times* implemented an online news paywall, optimizing their earning model. Their

success brought hope to the difficult-to-monetize European and American newspaper industry, which was then transitioning to new media, and a transformative way of survival that the news industry in other countries could emulate.

A number of scholars have addressed paywalls, exploring the general commercial value of news paywalls. Pattabhiramaiah, Sriram, and Manchanda offers “empirical evidence for positive overall economic returns accrued to information media firms from the decision to charge readers for access to online content” via documenting the sizes of the externalities for the *New York Times* paywall and comparing them with the direct subscription revenue generated [3]. Nevertheless, Chandrasekhar holds an opposing view to them by stating that only by shrinking its scale can the news industry live in the digital era even if it support itself with paywalls [4].

Other scholars have analyzed the impact of paywalls from a more regionalized perspective. Olsen, Kammer, and Solvoll studies the paywalls’ influence on the news media in Denmark and Norway [5]. Vara-Miguel, Sádaba, Negredo, and Sánchez-Blanco focuses their research on the Spanish domestic news media [6].

In October 2017, *Caixin*, a Chinese financial news media, announced the implementation of full payment, becoming a trailblazer for the paywall reform in Chinese news market. Prior to the action, such as Sun, Lyu, and Yu have discussed the possibility of adopting news paywalls in China [7, 8]. Years have pasted, the development of *Caixin*'s paywall is still relatively less developed than that of the US and UK news media. In FIPP’s Digital Subscription Snapshot 2022, it barely made the top ten, with a nearly ninefold gap between its paid subscriptions and that of the *New York Times*. The rest of the Chinese news media remained unseen in the top 100 ranking list.

Few researchers have examined the dilemma of the promotion and development of news paywalls in China's news market from the political, economic and cultural perspectives, although it is essential for understanding and guiding Chinese digital news industry. This paper aims to utilize the case study method, analyze the news industry and the promotion of the news paywall system in China, incorporating the U.S. paywall development experience to answer the question of why paywalls are struggle to be built and promote in China from three aspects: the composition and function of the news industry, and the public's understanding and perception of the news industry, and the news industry's adopting a pay-for-content strategy. Corresponding solutions will be provided.

2. The Review of The Paywall System

2.1. Definition and Types

The paywall system is a method of restricting users’ access to content, with a paid subscription or a purchase. Although *The Wall Street Journal* build a paywall for its content early in 1996. The newspaper stood alone as the one which utilized the paywall system for its online content until the mid-2010s, and the system remains in the eye of the storm even in the 21st century.

The controversy system was firstly developed to ensure the survival of the U.S. news outlets in the digital era. Under the impact of the developing integrated online information platform and search engine. the circulation of U.S. daily newspaper dropped from 62.32 million to 55.98 million, a decline of nearly 10 percent, according to the survey conducted by American Press Institute and American Society of News Editors. The huge decline, associating with a big loss of newspaper audiences, had triggered a decrease of the advertisers’ investment in newspaper advertising, which in turn cut into newspaper revenues. The paywall was regarded as a viable profitable way for newspaper besides from the distribution and advertising business models. *The Wall Street Journal* continued to be widely read, absorbing over one million users by mid-2007, and 15million visitors in March 2008. Until 2015, 70 percent of American media outlets had established the paywall system.

Yu categorizes paywall forms into two types: “hard” paywalls and “soft” paywalls, which is widely recognized by other scholars [8]. The “hard” paywall system requires paid subscription before any contents can be accessed, which means that the online content of the newspaper is completely isolated from the users unless they pay the subscription bill. Such design is considered the riskiest profit

models as it only works when the content which the newspaper provides is highly unique and irreplaceable. The bar of the “soft” paywall is much lower compared with the “hard” one. Users can access certain content for free in a “soft” paywall system according to various pay-for-read model. Metered sites, hybrid sites, and dueling sites are three commonly used models.

The three models have different billing methods. Metered sites essentially limits the amount of content a user can read within a specified period of time. Hybrid sites, on the other hand, takes a categorization of content and pays for it by category, with the paid categories usually having more depth and appeal. Dueling sites diverts paid and free users by building two sites, paid and free. Additionally, there are “soft” paywall systems that bill for time spent reading, progress in reading individual articles, etc.

2.2. The Internal Contradiction

The use of the news paywall model goes far beyond the selection of one system type and one billing method. News media outlets often need to adapt the way their online content is sourced and distributed around their chosen paywall system to match the choice to maximize benefits. A complete paywall business model is usually constructed on the theoretical framework of the “5P’s” (People, Product, Presentation, Pricing, Promotion) principle proposed by Doctor [9]. He suggested that the monetization of news focuses on improving the quality of content and recalibrating pricing strategies from insights into the consumer.

Many Scholars, such as Chang, agree with Doctor that core users will not be affected by the charging situation, provided that the quality of the content is guaranteed. Chang analyzes four typical paywall cases in Europe and the United States, seeing paywalls as a pathway for traditional newspapers to move the ritual of reader subscription from offline to online platforms, with the aim of being used primarily to maintain the authority and even elitism that the news industry represents all along [10]. The economic crisis facing the print newspaper industry needs to be addressed by producing authoritative, high-quality, trusted online news content to maintain their core readers.

Nevertheless, Chang has also mentioned an internal paradox of the paywall system in his discussion about the re-establishment of the authority of the print news media: free leads to diversion, lowering the advertising revenue from the other distribution channels, while paying may cause the loss of non-core traffic, wasting the publishing and distribution convenience of the online platform, eroding the scale effect [10]. The reading barrier created by paywalls will be a drag on the conversion of potential readers. The hindering effect is especially prominent in the early stages of promoting a paywall, but over time, quality paid content can help online newspaper platforms boost subscriber retention, which supports paywall systems [5]. The conversion-retention pattern is prevailing, although its significance may vary from country to country, the direction of the trend is basically the same.

Researchers have conducted comprehensive studies on the modeling of paywalls, the benefits of paywalls, and the results that paywall promotion can lead to. However, few of them have studied the inner paradox and the conversion-retention developing pattern of the paywall system, which is not conducive to understanding the difficulties faced in the early stages of paywall development and proposing appropriate solutions, which in turn makes it difficult to assist news outlets in countries which are in the early stages of news paywall development, such as China, to promote news content monetization. The paper aims to base on the paradox and developing pattern to analyze the difficulties of the promotion of the paywall system in Chinese news market and put forward corresponding resolutions.

3. Difficulties and Resolutions of Promoting News Paywall in The Chinese News Market

3.1. The Public Nature of The News

The use of paywalls to prohibit individuals from accessing news content online without paying for it raises ethical issues. Media are already “failing to furnish citizens with ready access to relevant civic information” in a paywall era, according to Hackett [11]. The establishment of news paywalls is recognized as a deterioration of the public nature of news and its role in a civilized and democratic society. The reason for the perception is that newspapers are both businesses and servants of the public interest. As for-profit businesses, news outlets have the right and even the obligation to make profits for their shareholders or private owners. However, most people believe that there is a social contract under which the news media should be responsible for upholding the public interest and helping members of society to shape and understand the shared values of that society.

According to Tian and Zhu, with the development of the Internet, the media in the People's Republic of China has substantially formed a triadic structure of institutional media, market-oriented media, and online self-media [12]. The paywall system can be enabled in a market-oriented media, such as *Caixin* and *Southern Weekend*, or in an online self-media. Institutional media in China usually carries a heavier burden of social responsibility. They have stricter content censorship and therefore higher authority and greater influence, which is beneficial for guiding a healthy development of the social opinion environment.

Nevertheless, people in China have a problem of generalization in the perception of the news media. Chinese Readers usually place excessive social responsibility on market-oriented media, over downplaying their for-profit nature. As news media, it is undeniable for them to reflect reality, dig up the truth, and even monitor, criticize, and advise the authorities. However, as marketed media, they are also in a sense suppliers and sellers of professional quality information. Specialized contents, such as the industry trend news provided by *Caixin*, are not the immediate needs of all readers. Paywall promotion does not conflict with news media's social responsibility. Reversing the perception of paying for news is essential for Chinese media to promote paywalls as a precursor condition.

When Hurricane Irene hit the East Coast of the United States in late 60, 2011, *The New York Times* announced that all storm-related stories, whether accessed online or through mobile devices, would be available to readers free of charge. Using paywalls as a primary business strategy for news companies, but removing the restrictions on paying for contents when some topics are of such importance and urgency that it would be irresponsible to hide them from non-subscribers can effectively balance the public and for-profit aspects of news and reduce the ethical resistance of subscribers to paying for news. The approach also may work in China, avoid antagonizing non-core users with the paywall system.

3.2. The Shareability of the News

The Internet has been an ideal place for the public to congregate and discuss relevant news issues - an activity that began with free access to online news content and then the ability to comment on the content and create a forum. Online sharing networks allow users to post news content they follow and are interested in, as well as pro- and anti-news comments and opinions, on their social media personal pages, such as Facebook or China's popular WeChat and Weibo platforms, and they are free to forward this content to their friends and family.

News had such shareability before the establishment of the Internet and social media platforms, as reflected in the age of the paper media, when people were able to offer their subscriptions to those around them to circulate, building one offline information-sharing network after another. The development of online technology has optimized the speed and distance at which news content can be delivered across this information-sharing network. Such optimization connects everyone more closely, which melts the news content into people's daily interactions, becoming a sort of social currency. The social attributes of news content taps into a potential audience and builds a readership

base. The effect is particularly evident in collectivist societies, in which people usually live in groups: family, office, or neighborhood. However, the building of paywalls seem to restrict the open communication between members of the public, limiting their ability to read and share news online, which weakens benefits of the optimization.

China has an individualism score of 20, which represents a highly collectivist culture, a society that relies heavily on the interdependence of its people and the importance of relationship [1]. Hence, people in China show more sensitivity to paywalls' erosion of news shareability. In the early period when a loyal readership had yet to be formed, Chinese paywalls, in the case of *Caixin*, for example, despite adopting a soft paywall system, still lost potential or non-core user because of the drawback that their paid articles could not be shared.

The Wall Street Journal has adapted its free-reading strategy by allowing non-subscribers to read articles shared by paid members on Facebook and other social media outlets for free, with an application for membership embedded in each article, effectively turning each member into a promoter for the newspaper, in 2016, one year before *Caixin*, launched its paywall system. *Caixin* begun to follow this practice after four years of promoting paywalls, opening up some of its sharing privileges.

A well-developed social sharing system embedded with a “call to action” can help Chinese news outlets ensure their readers convert early in the promotion of a paywall system. The social nature activation is to attract readers who have not paid with the release of paid articles to share for free reading, but also encourages subscribed users to spread the news content via the Internet by means of diffusion incentives.

3.3. Charging Strategy Classification Method

The paywall system as a sign of monetization of digital news content, means that the implementation of the system needs to follow the paradigm of commodities in general. Categorizing and publicizing charging strategies is the equivalent of labeling offline goods with price tags, a process that requires clarity and intuition. Regardless of the charging strategy and type of paywall system, the reasonableness and clarity of pricing affects the propensity of users to subscribe. Appropriate pricing and a clear pricing scheme can avoid discouraging readers from subscribing.

In terms of pricing rationalization, improving the quality of content is the most fundamental way to expand pricing space. Value for money has always been one of the most effective ways to attract in-demand potential consumers. The quality of news content that news media can provide should match the price of paywall setups. Meanwhile, the segmentation of consumers can help the news media to refine their offers. The news media around the world are well aware of this point, but some of them merely focus on polishing the way they publicize their pricing plans on their websites or applications, which is especially common for news media in the early stages of paywall development.

Compared to the clear subscription prompts on *The Wall Street Journal*'s homepage, *Caixin*'s subscription prompt and mall prompt are redundant, with the two buttons linking to two disjointed webpages with overlapping content for sale. Furthermore, *The Wall Street Journal* clearly and conspicuously identifies the selling price and subscription considerations on its subscription description page, yet *Caixin*, with its more varied subscription options, fails to highlight the descriptive information and place the price on a first-level page.

Even though the presentation of a paywall on a web page or in an app is not directly related to paid content itself, it affects the willingness of users to subscribe because no one wants their time to be spent on researching the rules of paying rather than reading quality content. Clarifying and optimizing the publication of the charging plan is critical for paywall promotion for Chinese news media during the user conversion period.

4. Conclusion

This study reviews the development and categorization of news paywalls and synthesizes the contradictions inherent in their promotion and insights into the general difficulties in the early stages of their promotion.

Based on the information derived, the scholars analyze the Chinese journalism industry, Chinese news media, and Chinese news audiences, and arrive at the dilemmas of promoting news paywalls in China, i.e., people's ethical concerns about paywalls undermining the public nature of news, their dissatisfaction with paywalls impeding the smooth flow of information networks and destroying the socializability of news, and their unfulfilled need for a clear and reasonable news payment system. Taking into account the development of news paywalls in the United States, this study offers solutions: eliminating concerns by making major issues free, reducing dissatisfaction with shareable strategies and sharing incentives, and optimizing the pay system with better quality content and clear presentation.

However, the study does not conduct a complete quantitative study; these solutions are logically feasible, and there are also success examples to support them, but the actual results are still debatable. More survey-based and statistical studies are needed to prove the usability of these experiences and suggestions.

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