The Next Picture Show

Not only does Apple's latest iPod do video, but so does its online store.

BY STEVEN LEVY

STEVE JOBS HAD SOME 'SPLAIN-in' to do. He's spent the last couple of years insisting that no one wants to watch video on the puny screens in handheld devices. But last week Apple's charismatic CEO introduced the fifth generation of his monstrously popular iPod. And this one ... does video. It will screen your home movies, music videos and TV shows downloaded from the iTunes store (we'll get to that bombshell in a second). Though the screen is bigger than the one on the previous 'pod, it's still tinier than a standard Post-it note. What gives?

"This is the best iPod for music that we've ever made," explains Jobs, tearing off its attributes (30 percent thinner, more storage on the low-end $299 model). "Millions of people are going to buy this to listen to music—and video is going to come along as a bonus. So if anything is going to happen in portable video, it will happen on the iPod. We'll find out what happens."

But while video on the iPod is an experiment, Jobs's plan to sell music videos, short films from his Pixar studio and television shows is, as he humbly says, "a plate-tectonic shift" in the media business. Record labels are ecstatic to get a hefty share of the $1.99 per music video downloaded from Apple's initial library of 2,000. But the biggest news is Apple's deal with Disney to sell episodes of five ABC or Disney Channel series, including Nielsen champs "Lost" and "Desperate Housewives," and 'tween obsession "That's So Raven," also for $1.99. Disney CEO Bob Iger (with whom Jobs gets along infinitely better than predecessor Michael Eisner) says that starting out with his network's crown jewels was a no-brainer. "You don't approach new things in a timid way—you go for it," he says. So now, if you miss an
episode of “Lost,” or if you just want to view it frame by frame to see where the shark was jumped, you can download it the next day for less than the cost of a latte.

From that point, you can play it back on an iPod. But more likely you might want to view it on your computer, no iPod necessary. (Because of piracy fears, you can’t burn on a DVD the music videos or TV shows you paid for. Also, the resolution is less than DVD-quality.) In the next weeks and months we can expect many other shows, current and past, from many networks to join the Disney properties. As with music, other online stores (and mobile-phone networks) will also compete, but since the iTunes store is by far the biggest seller of digital tunes, it has a shot at duplicating that success with video.

As a hint of where Jobs goes next in home entertainment, look at the other product he announced last week, a revamped iMac desktop computer. It comes equipped with Front Row, a diminutive remote-control device. Designed with classic Apple elegance (only six buttons) the Bic-lighter-size remote cruises through an elegant series of distance-readable menus to control movies, photos and music stored on the iMac, as well as enter into a Web site that streams movie trailers. “We’re not trying to morph the personal computer into a living-room device,” insists Apple VP Phil Schiller. But people percheted at their desks don’t need remote controls, do they? Sitting on a coach after his product launch last week, Jobs took delight in pausing an interview to navigate an iMac 12 feet away, smoothly zapping up “Desperate Housewives.” For a minute or two he’s transfixed, probably less by Felicity Huffman than his company’s creations. “I’m sorry,” he says. “I’m just amazed by this.”

Will people be similarly impressed by viewing such fare on the 2.5-inch iPod screen? A couple of weeks ago, Jobs tested it himself with an episode of “Lost.” The verdict? “It’s not bad,” he says. With more than 20 million iPods sold, and a new business selling TV shows, he’s not desperate, and certainly not lost.

If you miss ‘Lost,’ you can download it the next day for less than the cost of a latte.

---

**Small TV, Big War**

**BY JOHNIE L. ROBERTS**

The other networks’ reaction to the ABC-iPod deal suggests that television is entering a frenetic period in which the industry’s economics are apt to be upended. Disney’s rivals are being coy about when, or if, they’ll also offer shows on the iTunes store. Deborah Reif, president of NBC Universal Digital Media, says in a statement that the media giant is “having conversations with many top players.” Ditto at CBS, where a spokesperson says, “Obviously, we are talking to all the imaginable players about taking our content and putting it on emerging platforms.”

Those platforms could include not only Apple’s online rivals like RealNetworks but, as one ABC rival speculates, Sony’s PSP. There are also efforts to bring video to cell phones. Apple’s $1.99-per-show fee isn’t written in stone, and wireless providers may charge more. On the other hand, UPN premiered its sitcom “Everybody Hates Chris” free on Google Video.

Meanwhile some execs can’t decide whether TV-to-go is healthy or harmful for the business. Deb McDermott, president of Young Broadcasting, whose stations include ABC affiliates, frets that iPod video could cannibalize the audience for “Desperate Housewives” and “Lost.” At the same time, she says, “if you iPodders download the shows, “it might bring them to watch it on the broadcast version.” Only one thing is clear: the race is on toward ubiquiTV.

---

**SEEING IS BELIEVING:** Jobs welcomes Disney CEO Iger.