

New iPod raises Apple stock, sparks debate

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Feedback to Apple Computer Co.'s unveiling of the new iPod continues to flow in, both in reactions and in the market.

Apple's stock rose more than 9 percent Thursday, one day after the company announced a host of new products, among them a new permutation on the [popular iPod that has video-playback capability](#).

Just two days earlier, after-hours trading had plunged the stock down 10 percent in reaction to the company's quarterly earnings statement in which Apple announced quarterly revenue of \$3.68 billion, up 63 percent from this same period last year but a bit below the \$3.73 billion analysts were expecting.

On Wednesday, Apple CEO Steve Jobs held an invitation-only event in San Jose, Calif., where he unveiled the new iPod, 30-percent thinner than the previous model and with video capability.

He also announced that the iTunes music store would begin selling music videos and short films, as well as selected ABC television show episodes, for \$1.99 each.

Jeremy Horwitz, editor in chief of Apple news site iLounge.com, said that Apple's pricing of the video downloads was questionable.

"Selling four-minute music videos and 40-minute TV shows for the same price doesn't make sense," Horwitz said. "I personally wouldn't pay that much for a music video, but I might consider it for the right TV show."

Tim Bjarin, principal analyst at Creative Strategies Inc., wrote on his blog site TechnologyPundits that Apple's deal with ABC could start a domino effect.

"This alone will cause the Hollywood TV studios to beat a path to Apple's door to get their offerings on the new iTunes video store as fast as possible," he wrote.

He went on to say that the Apple/ABC experiment will show Hollywood that it's safe to put video content online when you use proper software to safeguard it, as iTunes does.

"You cannot actually burn DVDs of the video content, but can download and view them on either a Mac or the iPod Video and get a great video experience," Bjarin wrote.

Horwitz said that customers might take a different view, though.

"What are you getting for the \$1.99 price?" he asked. "You get a low-quality video that you can't burn to a CD or DVD. At these prices, and at this low level of video quality, you'll do better to buy video box sets."

However, Horwitz did agree that other video suppliers will eventually migrate to iTunes.

"The iTunes Music Store already features free audio programs from all of the major TV networks, plus ESPN, PBS, CNN and others," he said. "It's only a matter of time before paid video content follows."

The unveiling of the new iPod came just five weeks after the premiere of the iPod Nano, a smaller and cheaper iPod based on solid-state technology. The 2GB and 4GB models of the Nano cost \$199 and \$249 respectively.

In comparison, the new video-capable iPods cost \$299 and \$399 for 30GB and 60GB models respectively.

Horwitz said the unveiling of the two different iPods separately was "brilliant."

"Apple cemented consumer interest in a 4GB music player before unveiling a powerful 30GB music and video player for only \$50 more," he said.

"The company sold at least a million iPod Nanos in just the period between the announcements, and since the devices are so physically different from one another, they will have no problem selling millions more," he added.

Horwitz said the constant updates will most likely not alienate past customers.

"If your old iPod still works -- and there are plenty of easy, cheap ways to keep it working -- no one's forcing you to upgrade," he said.

Horwitz said that the video-capable iPod will not be a direct competitor for Sony's PlayStation Portable. The PSP is primarily a handheld videogame system, but also functions in playing full-length movies that are available in UMD format, as well as music-playing and picture-viewing capabilities.

The PSP sells for \$299.

"You buy a PSP to play games, and an iPod to listen to music," Horwitz said. "Each does a poor job at duplicating the other's core functionality.

"But this time next year," he added, "better versions of both products

will be available."

In late midday trading Friday shares of Apple were around 50 cents off, selling at around \$53.45

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