

Apple Unveils the New Video iPod

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Apple today introduced the new iPod, featuring a gorgeous 2.5-inch color screen which can display album artwork and photos, and play video including music videos, video Podcasts, home movies and television shows. The new iPod holds up to 15,000 songs, 25,000 photos or over 150 hours of video and is available in a 30GB model for \$299 and a 60GB model for \$399, with both models available in white or black designs.

Apple CEO Steve Jobs announced Wednesday the creation of a new, improved iPod with a 2.5-inch color display and video-playback

capability.

The announcement came at invitation-only media event staged by Apple in San Jose, Calif.

The new iPod is 30-percent thinner than the previous model, with a display that is 25-percent bigger. The screen will have 320 x 240 pixel resolution and support for MPEG-4 type video files, as well as a built-in world clock and stopwatch.

A 30GB model will be available for \$299 and a 60GB model for \$399. The new iPods will begin shipping next week.

"Because millions of people around the world will buy this new iPod to play music, it will quickly become the most popular portable video player in history," said Jobs.

To compliment the video-playback capability, Jobs announced the creation of iTunes 6, which was made available for download immediately. The popular music store, which is known for selling songs at 99 cents apiece, will have 2,000 music videos available to download for \$1.99 each.

Additionally, Jobs announced that a partnership with ABC will allow customers to purchase ad-free episodes of ABC shows for \$1.99 each. Apple said each episode will take 10 to 20 minutes to download to a file about the size of six songs. New episodes will be available the next day after they are aired.

"We're doing for video what we've done for music," Jobs said. "We're making it easy and affordable to purchase and download, play on your computer, and take with you on your iPod."

"We're delighted to be working with Apple to offer fans a new and innovative way to experience our wildly popular shows," said Robert Iger, CEO of Walt Disney Company, which owns ABC.

"The people at Apple fully understand the interaction between musicians and their audience," said Jimmy Iovine, chairman of Interscope Geffen A&M.

Jobs also announced a new iMac model, which will be thinner than the previous model and include a batch of new software built-in, as well as a six-button, Bluetooth-powered remote control called FrontRow and a built-in iSight video camera.

The new iMacs will cost \$1,299 for the 17-inch version with a 1.5 GHz processor and \$1,799 for the 21-inch edition with a 2.1 GHz processor.

Adam Benjamin, semiconductor analyst at Jefferies & Co., said that Wednesday's unveilings show Apple's forward thinking.

"Apple's view is to push this thing to the next level and continue pushing ahead," Benjamin said.

"They pushed significantly ahead with iPod Nano," he said of the smaller iPod based on solid-state technology that was premiered a month ago, "and they want to continue pushing ahead with video capability."

Tim Bajarin, principal analyst at Creative Strategies Inc., wrote on his blog site TechnologyPundits that Apple is creating a coherent and interconnected line of products that will appeal to consumers.

"Apple is actually rewriting the rules of media distribution," he said.

"They are creating a complete consumer digital ecosystem that will be very attractive to Mac and PC users alike, and this will only make more

people think about switching from PC to Mac."

Bajarin wrote that the potential success of the ABC/Apple partnership could help foster further digital distribution of video content.

"With this move, Apple is actually showing the Hollywood producers that digital distribution of any content is safe and secure and that Apple gives them a new way to distribute their content to the entire marketplace," he wrote.

Bajarin did express doubts that consumers would want to watch full-length movies on such a small screen, but wrote that shorter TV episodes may catch on.

Apple also announced Tuesday that its quarterly earnings were \$430 million, or 50 cents per share. Overall revenue for the quarter, which ended Sept. 24, was \$3.68 billion, up from \$2.35 billion last year but short of expectations.

After the announcement, Apple shares fell 10.5 percent in late-session trading.

Apple sold almost 6.5 million iPods over the previous quarter, a huge growth over last year's total but below expectations. Merrill Lynch had forecasted 8.5 million sales, and Goldman Sachs had expected 7.8 million.

The quarter saw Apple unveil the iPod Nano, which shipped over 1 million units in the first 17 days and was heavily back-ordered. The 2GB Nano costs \$199, the 4GB model is \$249.

Apple also sold 1.25 million Macintosh computers over the quarter, a 48-percent gain over last year.

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