Apple faces hard time wooing Hollywood to new iPod

By Bob Tourtellotte and Kenneth Li

LOS ANGELES/NEW YORK (Reuters) - Apple Computer Inc (Nasdaq:AAPL - news) chief Steve Jobs, faces a far tougher task wooing film and television producers to create shows for the new video iPod than he did in the music industry as many questions remain over content and pricing, industry executives say.

In the week since Jobs unveiled the handheld iPod, which plays video clips on a 2.5-inch diagonal screen, media and technology executives have been trying to figure out whether people will watch shows on a small screen, what types of programs will work and whether money can be made at the $1.99 price Apple set.

"There is no doubt people are going to access content in more flexible ways going forward," said Rick Feldman, who heads the National Association of Television Program Executives.

"What we don't know, for independent producers, is what kind of content is going to be wanted and needed, what it will cost and what it can be made for," he added.

At its launch, Walt Disney Co. (NYSE:DIS - news) chief executive Bob Iger committed Disney's ABC TV network to offering hit shows "Lost" and "Desperate Housewives" for the video iPod.

Sources familiar with the thinking at rivals NBC and CBS said those networks have talked to Apple about providing content, but that the $1.99 price tag was too low.

Both networks declined to comment specifically about Apple, although an NBC spokeswoman did say in a statement that NBC "is having conversations with many top players."

Media executives, however, said it costs very little for networks to re-package shows for downloading in what amounts to test marketing because the consumer appetite, costs

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and profits of those programs already have been realized in other arenas.

The networks can afford to experiment, but independent film and TV producers, which the networks rely on to dream up shows, want hard facts before investing dollars in new programming.

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Veteran financial analyst Tom Wolzien said "a lot of confusion" remains in the marketplace and further noted that how much actors, directors, writers and other artists might receive also must also be addressed.

Late last week, unions representing various talent groups issued a rare joint statement saying they would work to "ensure our members are properly compensated" for downloads.

When Apple entered the music industry a few years ago with its original iPod, it found a market ripe for change in an industry ravaged by piracy and plunging CD sales.

Record makers were drawn to Apple's formula of combining the iPod with the one-click ease of its iTunes music store, and major issues over digital rights management -- how much to pay artists and how to track downloads -- had been solved.

Film and TV producers are mindful of combating piracy but are not yet as desperate as the music industry was. The reason for the current movie box office slump -- U.S. ticket sales are down about six percent this year -- has yet to be determined and TV viewing is up across broadcast and cable networks.

Downloading video of TV shows and films is nothing new, but film and TV makers have remained reticent about exploiting the market. Two Web sites, CinemaNow and MovieLink, have offered legal downloads for years and although they are growing, they remain small businesses in a niche market.

For that reason, CinemaNow CEO Curt Marvis welcomed Apple, noting that the recognition they will bring should lure consumers to the entire arena, much like it did for music.

"From day one, which for us is six years ago, we have said the validation of this business through the entry of others is key to having the whole industry grow," he said.

There is no doubt Apple, Jobs and the original iPod caused legal music downloading to increase, but whether they can cause a similar reaction for films and TV shows awaits an answer.
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