NATION

It has gone from gizmo to LIFE-CHANGING cultural icon
STEVE JOBS noticed something earlier this year in New York City. “I was on Madison,” says Apple’s CEO, “and it was, like, on every block, there was someone with white headphones, and I thought, ‘Oh, my God, it’s starting to happen.’” Jonathan Ive, the company’s design guru, had a similar experience in London: “On the streets and coming out of the tubes, you’d see people fiddling with it.” And Victor Katch, a 59-year-old professor of kinesiology at the University of Michigan, saw it in Ann Arbor. “When you walk across campus, the ratio seems as high as 2 out of 3 people,” he says.

They’re talking about the sudden ubiquity of the iPod, the cigarette-box-size digital music player (and its colorful credit-card-size little sister, the Mini) that’s smacked right into the sweet spot where a consumer product becomes something much, much more: an icon, a pet, a status indicator and an indispensable part of one’s life. To 3 million-plus owners, iPods not only give constant access to their entire collection of songs and CDs, but membership into an implicit society that’s transforming the way music will be consumed in the future. “When my students see me on campus with my iPod, they smile,” says Professor Katch, whose unit stores everything from Mozart to Dean Martin. “It’s sort of a bonding.”

The glue for the bond is a tiny,
limited-function computer with a capacious disk drive, decked in white plastic and loaded with something that until very recently was the province of ultrageeks and music pirates: digital files that play back as songs. Apple wasn't the first company to come out with a player, but the earlier ones were either low-capacity toys that played the same few songs, or brick-size beasts with impenetrable controls. Apple's device is not only powerful and easy to use, but has an incandescent style that makes people go nuts about it. Or, in the case of 16-year-old Brittany Vendryes of Miami, to dub it "Bob the Music Machine." ("I wanted to keep it close to my heart and give it a name," she explains.)

Adding to the appeal is the cachet of A-list approbation. "I love it!" says songwriter Denise Rich. "I have my whole catalog on it and I take it everywhere." She is only one voice in a chorus of celebrity Podsters who sing the same praises voiced by ordinary iPod users, but add a dollop of coolness to the device, as if it needed it. Will Smith has burbled to Jay Leno and Wired magazine about his infatuation with "the gadget of the century." Gwyneth Paltrow confided her Pod-love to Vogue (her new baby is named Apple—coincidence?). It's been seen on innumerable TV shows, movies and music videos, so much so that Fox TV recently informed Josh Schwartz, producer of its hit series "The O.C.," that future depictions of music players would have to forgo the telltale

DRESS IT UP
R&B star Alicia Keys, helping Jobs open an Apple store in London, may be interested in a designer case by (clockwise from top) Louis Vuitton, iSkin, Gucci, Prada or Coach

DIGITAL PLAYER MARKET
SHARE OF UNITS SOLD, APRIL 2004

<table>
<thead>
<tr>
<th>Top four iPod competitors</th>
<th>Portable digital players</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Rio</td>
<td>15 million</td>
</tr>
<tr>
<td>2. RCA Lyra</td>
<td>10</td>
</tr>
<tr>
<td>3. iRiver</td>
<td>5</td>
</tr>
<tr>
<td>4. Digital way</td>
<td>Others 51%</td>
</tr>
</tbody>
</table>

PROJECTED SALES

<table>
<thead>
<tr>
<th>Year</th>
<th>Downloads</th>
<th>Subscriptionst</th>
<th>CD sales</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>$36</td>
<td>$1,374</td>
<td>10,860</td>
<td>$10,743</td>
</tr>
<tr>
<td>2006</td>
<td>$2,198</td>
<td>$33,886</td>
<td>9,314</td>
<td>$13,886</td>
</tr>
</tbody>
</table>

Bought online 1% 33%

U.S. MUSIC REVENUES
OVERALL FORECAST, IN MILLIONS

*Includes digital sales, video in music subscription. Major: Sony, Apple, Yahoo, MP3 Direct, MP3.com

JULY 26, 2004 NEWSWEEK 45
white ear buds. Schwartz, himself a 27-year-old who still hasn't recovered from the shock of having his unit stolen from his BMW, was outraged. "It's what our audience uses and what our characters would use," he says.

People who actually create music are among the biggest fans: "The layout reminds the musician of music," says tunester John Mayer. And couture maven Karl Lagerfeld's iPod collection is up to 60, ceded in the back by laser etching so he can tell what's on them. "It's the way to store music," he says. Lagerfeld's tribute to the iPod is a $1,500 Fendi pink copper rectangular purse that holds 12 iPods. It is one of more than 200 third-party accessories ranging from external speakers, microphones and—fasten your seat belt—a special connector that lets you control your iPod from the steering wheel of a BMW.

Music hits people's emotions, and the purchase of something that opens up one's entire music collection—up to 10,000 songs in your pocket—makes for an intense relationship. When people buy iPods, they often obsess, talking incessantly about playlists and seques, grumbling about glitches, fixating on battery life and panicking at the very thought of losing their new digital friend. "I'd be devastated if I lost it," says Krystyn Lynch, a Boston investment marketer.

Fans of the devices use it for more than music. "It's the limousine for the spoken word," says Audible CEO Don Katz, whose struggling digital audiobook company has been revitalized by having its products on Apple's iTunes store. (Podsters downloaded thousands of copies of Bill Clinton's autobiography within minutes of its 3 a.m. release last month.) And computer users have discovered that its vast storage space makes it a useful vault for huge digital files—the makers of "Lord of the Rings" movies used iPods to shuttle dailies from the set to the studio. Thousands of less-accomplished shutterbugs store digital photos on them.

iPods aren't conspicuous everywhere—their popularity seems centered on big cities and college towns—but sometimes it seems that way. "I notice that when I'm in the gym, as I look down the treadmills, that just about everybody in the row has one," says Scott Piro, a New York City book publicist. And the capper came earlier this year during the Apple vs. Apple case—within the Beatles' record company is suing the computer firm on a trademark issue. The judge wondered if he should recuse himself—because he is an avid iPod user. (The litigants had no objection to his staying on.)

In 1997, when Steve Jobs returned to the then struggling company he had cofounded, he says, there were no plans for a music initiative. In fact, he says, there wasn't a plan for anything. "Our goal was to revitalize and get organized, and if there were opportunities we'd see them," he says. "We just had to be ready to catch the ball when it's thrown by life." After some painful pink-slipping and some joyous innovating, the company was solvent.

But in the flurry, Jobs & Co. initially failed to notice the impending revolution in digital music. Once that omission was understood, Apple compensated by developing a slick "jukebox" application known as iTunes. It was then that Apple's brain trust noticed that digital music players weren't selling. Why not? "The products stank," says Apple VP Greg Joswiak.

Life had tossed Jobs a softball, and early in 2001 he ordered his engineers to catch it. That February, Apple's hardware czar, Jon Rubinstein, picked a team leader from outside the company—an engineer named Tony Fadell. "I was on the ski slopes in Vail when I got the call," says Fadell, who was told that the idea was to create a groundbreaking music player—and have it on sale for Christmas season that year. The requirements: A very fast connection to one's computer (via Apple's high-speed Firewire standard) so songs could be quickly uploaded. A close synchronization with the iTunes software to make it easy to organize...
music. An interface that would be simple to use. And gorgeous.

Fadell was able to draw on all of Apple's talents from Jobs on down. VP Phil Schiller came up with the idea of a scroll wheel that made the menus accelerate as your finger spun on it. Meanwhile, Apple's industrial designer Ive embarked on a search for the obvious. "From early on we wanted a product that would seem so natural and so inevitable and so simple you almost wouldn't think of it as having been designed," he says. This austerity extended to the whiteness of the iPod, a double-crystal polymer Antarctica, a blankness that screams in brilliant colors across a crowded subway. "It's neutral, but it is a bold neutral, just shockingly neutral," says Ive.

Assessing the final product, Jobs bestows, for him, the ultimate accolade: "It's as Apple as anything Apple has ever done."

The October 2001 launch was barely a month after 9/11, with the country on edge and the tech industry in the toilet. Skeptics scoffed at the $399 price and the fact that only Macintosh users, less than a twentieth of the marketplace, could use it. But savvy Mac-heads saw the value, and the iPod was a hit, if not yet a sensation. What pushed it to the next level was a number of Apple initiatives beginning with a quick upgrade cycle that increased the number of songs (while actually lowering the price). Then Apple released a version that would run on Windows and Mac, dramatically increasing the potential market. Finally, after intense negotiations with the record labels, Apple licensed hundreds of thousands of songs for its iTunes Music Store, which blended seamlessly with the iPod. As with the iPod itself, the legal-download store was not the first of its kind but was so felicitous and efficient that it leapt to a 70 percent market share.

Then sales began to spike. No one was surprised that Apple sold an impressive 735,000 iPods during the Christmas season last year, but the normally quiet quarter after that saw an increase to 807,000. And last week Apple announced that sales in the just-completed third quarter, traditionally another dead one—hit 860,000, up from 249,000 a year ago.

That total would have been higher had Apple not had problems getting parts for the latest iteration, the iPod Mini. Though critics praised its compactness and its panache—a burnished metallic surface
made it look like a futuristic Zippo—they sniffed at its relatively low capacity (only 1,000 songs!). But apparently there were lots of people like Los Angeles chiropractor Pat Dengler, who saw the Mini as a must. "At first I thought, I already have an iPod, I don't need it," she says. "But after I played with it, I thought, I really dig it. Now I use them both." Dengler was lucky, as many had to suffer through a month-long waiting list. To the delight of Apple (and the chagrin of Sony), the no-brainer description of the iPod is "the Walkman of the 21st century." And just as the Walkman changed the landscape of music and the soundscape of our lives, the iPod and the iTunes store are making their mark on the way we handle our music, and even the way we listen to it.

The store has proved that many people will pay for digital music (though certainly many millions of gigabytes of iPod space are loaded with tunes plucked from the dark side of the Internet). "The iPod and iTunes store are a shining light at a very bleak time in the industry," says Cary Sherman, president of the Record Industry Association of America. Since just about everybody feels that within a decade almost everybody will get their music from such places, this is a very big.

An equally big deal is the way the iPod is changing our listening style. Michael Bull, a lecturer at the University of Sussex, has interviewed thousands of iPod users, finding that the ability to take your whole music collection with you changes everything. "People define their own narrative through their music collection," says Bull.

The primary way to exploit this ability is the iPod's "shuffle" feature. This takes your entire music collection, reorders it with the thoroughness of a Las Vegas blackjack dealer and then plays back the crazy-quilt melange. "Shuffle throws up almost anything—you don't know it's coming but you know you like it," says Bull. "Because of this people often say, 'It's almost as if my iPod understands me.'"

Shuffle winds up helping people make connections between different genres of music. "People feel they're walking through musicoLOGY," says rock star John Mayer. These abilities have a predictable effect: people who use iPods wind up listening to more music, and with more passion.

And since the iTunes store encourages customers to eschew buying entire CDs, instead buying the best song or two for a buck a pop, it's easy to see why some think that the era of the CD is playing its final tracks, a circumstance many will lament. "The one cool thing about a CD is really getting to know an album," says iPod fan Wil-Dog Abers, bassist for the hip-hop collective Ozomatli. "I don't know what we're gonna do about that."

In Silicon Valley, the question is what Apple can do to maintain its dominant position in the field. While Apple execs say that they are surprised at how lame the competition has been to date, it's reasonable to think that rivals might eventually close the gap. Almost all the hounds chasing Apple use technology from its longtime rival Microsoft. And Sony, whose initial efforts in the field were constrained by the copy-protection demands of its music unit, is introducing a new line of digital players this summer. "We feel that the experience is as good as Apple's, and we have the Walkman brand, which has sold 200 million units. We're in the game," says Sony America's CEO Howard Stringer. Meanwhile, the ultimate competition may come from services that stream unlimited music for a monthly fee, like Real Networks' Rhapsody. "The fat lady isn't even on the stage yet," says Chris Gorog, CEO of Napster.

But at the moment, the iPod is the category. And everything points to a humongous Christmas season for the iPod. The introduction of the new iPods this week extends the company's technology lead. If Apple, as promised, manages to get enough drives to satisfy the demand, the Mini iPod...
a few more features and costs less. Here are the highlights.

**The click wheel.** The iPod keeps getting slimmer and more streamlined. While the initial version had a relatively boxy feel, subsequent versions have been curvier and smaller. This one is about a millimeter thinner and, more significantly, eliminates the control buttons that sat under the display screen. Instead, it uses a “click wheel,” where the controls are placed on the compass points of the circular touchpad that lets you scroll through menus. This is an innovation carried over from the diminutive iPod Mini. “It was developed out of necessity for the Mini, because there wasn’t enough room for the buttons,” says Steve Jobs. “But the minute we experienced it, we just thought, ‘My God, why didn’t we think of this sooner?’”

**More efficient menus.** There’s less thumbing required to get to your favorite stuff. “Music” is a first-level entry, and now a single click initiates the popular technique of shuffling your library for playback.

**New features.** You can create multiple on-the-go playlists and delete songs from those ad hoc mixes. And audiobooks are not only easier to find, you can listen to them at normal speed, slower or 25 percent faster, without its sounding like a Munchkin.

**Longer play.** Coast-to-coasters rejoice: the new iPods are rated for 12 hours of rockin’ between charges—a 50 percent boost in battery life. This is accomplished, Apple says, by a heavier battery but diligent conservation of power.

**Lower price.** The top-of-the-line iPod, holding 10,000 songs (40 gigs, as geeks will tell you), now costs $399. The lower-capacity model, with room for 5,000 songs (20 gigs), costs $299. That’s a $100 price reduction for each. (There’s no more 15-gig model.)

**Color.** Fuggedaboudit. Despite rumors to the contrary, the widescreen bodies are still as pure as the driven snow.

Bottom line: If you have yet to jump on the iPod bandwagon, it’s cheaper and more attractive to do so. If you’re already plugged in, the question is whether you should engage in the “iPod Bump,” where you snap up the spiffy new version and pass Old Reliable to a grateful friend or family member (or the highest eBay bidder). If your music collection has exceeded your iPod’s storage space, or your listening binges exceed your current iPod’s battery life—or if you want to hear Bill Clinton’s abridged book in 4½ hours rather than six—consider the Bump this time around. Of course, if your heart went aflutter at the very sight of this year’s model, you’re probably in line at the Apple Store already.

---

**SHORE THING**

Ransom Everglades Camp sailing instructor Camila Orsorno, 16 (near left), stays plugged into her iPod, a week old and already loaded with tunes.
may achieve the ubiquity of its wide-bodied companion. And later this summer, when computer giant HP begins selling a co-branded version of the iPod, consumers will be able to get iPods in thousands of additional retail stores.

All this is infinitely gratifying for Steve Jobs, the computer pioneer and studio CEO who turns 50 next February. “I have a very simple life,” he says, without a trace of irony. “I have my family and I have Apple and Pixar. And I don’t do much else.” But the night before our interview, Jobs and his kids sat down for their first family screening of Pixar’s 2004 release “The Incredibles.” After that, he tracked the countdown to the 100 millionth song sold on the iTunes store. Apple had promised a prize to the person who moved the odometer to 10 figures, and as the big number approached, fortune seekers snapped up files at a furious rate. At around 10:15, 20-year-old Kevin Britten of Hays, Kans., bought a song by the electronic band Zero 7, and Jobs himself got on the phone to tell him that he’d won. Then Jobs asked a potentially embarrassing question: “Do you have a Mac or PC?” “I have a Macintosh ... duh!” said Britten.

But Jobs laughs while recounting this. Even though Macintosh sales have gone up recently, he knows that the odds are small of anyone’s owning a Mac as opposed to the competition. He doesn’t want that to happen with his company’s music player. “There are lots of examples where not the best product wins,” he says. “Windows would be one of those, but there are examples where the best product wins. And the iPod is a great example of that.” As anyone can see from all those white cords dangling from people’s ears.

Jobs laughs while recounting this. Even though Macintosh sales have gone up recently, he knows that the odds are small of anyone’s owning a Mac as opposed to the competition. He doesn’t want that to happen with his company’s music player. “There are lots of examples where not the best product wins,” he says. “Windows would be one of those, but there are examples where the best product wins. And the iPod is a great example of that.” As anyone can see from all those white cords dangling from people’s cars.

With BRAD STONE in San Francisco, JENNIFER ORDONEZ in Los Angeles, CATHARINE SKIPP in Miami, JAMIE RENO in San Diego, RON DEPAUSQUALE in Boston and JORDANA LEWIS and CLAIRE SULMERS in New York

Technology

PODY ON
An 'iParty
in New York,
where guests
can pick
the music

BREAKING UP IS HARD TO DO

I was an iPod junkie. It was hard, but I had no choice. I had to say goodbye.

BY BRETT BEGUN

Pod, there are a few things that I’ve been needing to tell you for a while. This really isn’t easy, but here goes.

You know, when we met I had hopes and dreams for us, just like any other iPod owner would have. I thought about growing old together and how, in 2030, when the Smithsonian came calling for an iPod to put in its permanent collection, they’d pick you. Why? Because of your unparalleled playlists. On “Summer Lovin’,” as an August sun set, we’d start with Mozart’s “Eine Kleine Nachtmusik,” which would transition, almost too perfectly, into Gershwin’s “Summertime,” then merge, seamlessly, into “Legs.” OK, well, maybe we could do without the ZZ Top, but you know ... I’m sorry. I’m just really confused right now.

What I don’t understand is why you choose not to be so many of the things you could be to me, mainly as a means to expand my musical horizons. Thanks, though, for drowning out the impromptu mariachi bands on the subway. That’s nice.) Time and again I put hip, new albums on you, power you up — then find myself inexplicably turning your little wheel until I hit some old, familiar favorite. And it’s never one that’s going to get me dancing, like in your ads. It’s usually some ridiculously depressing song from high school that I’ve rediscovered, like Morrissey’s “Everyday Is Like Sunday” — on a Wednesday, no less. I mean, how could you let me go on such sad iTunes benders? If you loved me, you wouldn’t let me buy “Oh Sherrie,” “Sister Christian” and “Eye of the Tiger” in one sitting. You and your insatiable appetite for ‘80s songs, I swear. I don’t like who I am anymore when I’m with you. Before you entered my life, I’d never forget that cold, December night ... or was it January?) I’d put a disc in my CD Walkman and let that band rock me until it could rock no more, even if every song on the album wasn’t a winner. You, with your hundreds of options, have turned me into some sort of judge: every tune has to take me higher than the one before it. No human being can handle the pop perfection that is Fountains of Wayne, followed by a few from Squeeze, and Randy Newman’s “I Love L.A.,” and not be in a sugar coma for the rest of the day. I’ve got a job to do, all right?

IPod, I love you, I really do. I want you to know, that despite everything, I’m glad we had our time together. But I think we have irreconcilable differences. Plus, I’ve kind of been eying a Mini.

Love,

Brett