

# Roku's turning to original content to grow—but it's an uphill battle

## Article

**The news:** Roku is increasingly turning to original content, including the Funny or Die-produced “Weird Al” Yankovic biopic “Weird,” with a \$12 million budget.

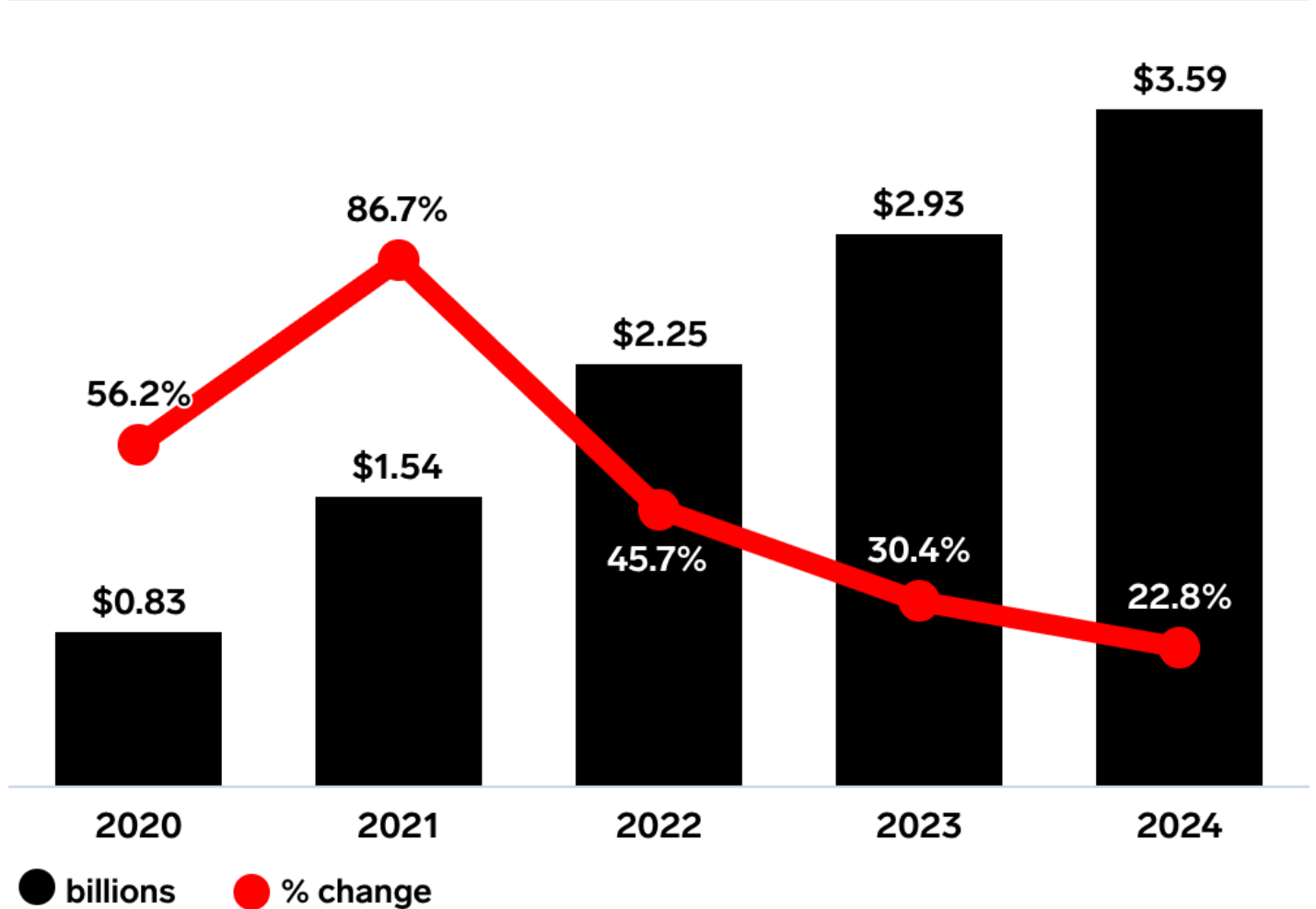
- It's part of the company's strategy to attract more ad dollars; it claims that the seven biggest advertising agency holding companies committed \$1 billion after its upfront presentation for the upcoming season.

**Ads > devices:** A manufacturer of streaming media equipment with more than 58.7 million active users in the US per our forecast, Roku now relies more heavily on ad spending and content distribution than device sales.

- Only 12% of the company's revenue comes from the selling of devices.
- For the **Roku Channel** to succeed, users must stay on it—and Roku will clearly benefit from keeping viewers on the platform for longer.

## Roku Connected TV Ad Revenues

US, 2020-2024



Source: eMarketer, March 2022

eMarketer | InsiderIntelligence.com

**Acquisitions on the cheap:** Roku doesn't have the content budget of a **Disney** (\$30 billion) or **Netflix** (\$17 billion); according to reports, the company spends only \$1 billion a year on content.

- The service paid \$97.8 million in cash to acquire This Old House Ventures, the organization that produces the popular home repair program.
- The short-lived **Quibi** app's library was acquired by Roku in early 2021.
- The company also has agreements for unscripted content with celebrities like **Jessica Alba**, **Martha Stewart**, and **Emeril Lagasse**, Variety reported in May.

**The challenge:** Roku needs users who buy its devices to access subscription apps like Netflix, Hulu, and Prime Video to spend more time exploring the free material available on the Roku Channel, which contains 40,000 movies and TV series and 150 linear channels.

- As both a device maker and content provider, Roku competes with well-financed companies like Amazon, Netflix, Alphabet, and Disney, among others. Given that competitive set and with far less dollars to spend on winning content, it's hard to see how Roku gets out of this mess.