

# Roku considers manufacturing its own smart TVs to address slowing hardware sales

Article

**The news:** Roku is exploring the idea of manufacturing its own smart TVs, **per** Insider. Right now, it licenses its tech to smart TV manufacturers like TCL and Bose, in addition to making its

add-on connected TV (CTV) devices.

**Why it matters:** When we **wrote** about Roku's Q3 2021 earnings, we mentioned two main factors that were concerns for long-term growth—the company's struggles to secure distribution deals with **Google** and **Amazon**, and slowing sales of its streaming devices.

- Roku's player segment revenues, which includes its hardware sales, shrank 9% year over year (YoY) in Q4 2021, according to its earnings report released yesterday.

Now, it looks like Roku is making progress on both of those issues. The company **struck** a deal with Google to keep **YouTube** on the platform in December, and moving into smart TV manufacturing gives it an opportunity to kick-start its hardware sales again—in a category that's seeing a lot of growth.

- Viewing time on CTV devices like Roku declined for the first time in Q4 2021, dropping 2% year over year, **per** Conviva's Q4 2021 State of Streaming. Meanwhile, viewing time on smart TVs grew 37%.
- Plus, making its own Smart TVs means it doesn't have to rely on partnerships with manufacturers that could decide to switch to an alternative operating system.

**What's the catch?** Roku's player segment is making up a decreasing amount of its overall business, now accounting for less than a fifth (18.7%) of its total revenues. Even if it's able to turn its growth around, hardware isn't its core business and hasn't been for a while. Instead, its platform business—which houses its ad revenues—is doing the heavy lifting. The segment grew a whopping 80% YoY to \$2.29 billion in 2021, per Roku's earnings report.

**The bottom line:** Moving into smart TV manufacturing could be a way for Roku to bolster its falling hardware sales, but pinning its hopes on hardware is likely unsustainable in the long term. The company's real business is in the ads it serves, and its platform segment growth is what marketers should be focusing on.