

# Roku's rumored smart home expansion could accelerate smart device interoperability

Article

Roku is apparently considering expanding into the smart home device market, **according to** a job listing viewed by Protocol. The since-removed listing reportedly sought applicants to help

craft Roku's "home technology product strategy" and develop the company's product roadmap; it described the expansion into smart homes as necessary for Roku to remain competitive. Protocol claims Roku is looking to include a combination of first-party products and interoperability with existing smart home devices.

**Roku has traditionally favored a more open, interoperable approach to its connected TV business, which could be advantageous for a possible smart home expansion.** Roku held 38% of the US connected TV market share, according to NPD data **viewed** by the Associated Press, making it the leading smart TV platform in the US. This market share fuels Roku's advertising-driven business model which emphasizes cooperation and partnership with streaming companies and TV programmers: If users subscribe to Netflix or other streaming services using Roku, for instance, then Roku **receives** a cut of that revenue.

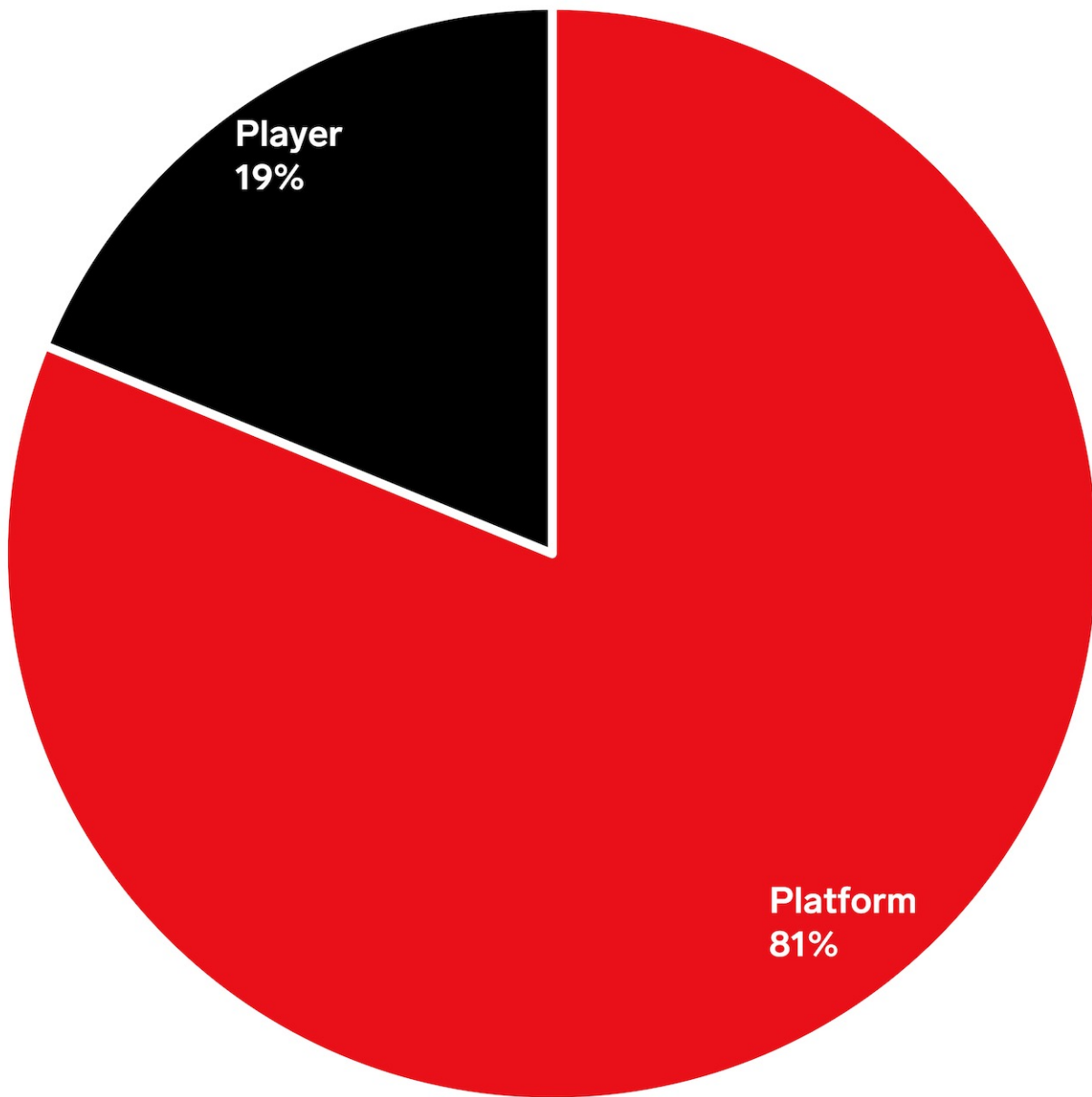
**Meanwhile, smart home device-makers are trying to address the growing device interoperability problem by attempting to create unified standards.** According to a 2020 GlobalWebIndex **report**, 32% of US and UK consumers **listed** integration with other apps and devices as a factor when considering purchasing a new smart home device. Matter, a unified smart device **standard** that works alongside existing protocols like Wi-Fi and Bluetooth, is attempting to address this problem by making it easier for different smart home ecosystems to communicate with one another. Matter recently gained notable support from Google, which **announced** its Nest devices would support the unified standard.

**Roku's ad-based model could set it apart from other major smart home competitors.** Nearly 82% of Roku's revenues in Q1 2021 **came** from its "platform" segment, which mostly comprises digital advertising, subscription and transaction revenue shares, and licensing agreements. This heavy reliance on advertising revenues would separate Roku from other smart home device-makers more dependent on hardware sales. Roku's outsize reliance on advertising revenues could allow it to essentially subsidize the cost of its hardware and undercut competitors on price. The company's experience working directly with streaming services could also help differentiate it in the increasingly crowded smart home market

At the same time, Roku might find itself *forced* to move into smart homes in order to stay competitive and keep customers from defecting to rival smart TV competitors like **Apple** and **Amazon** which are also starting to push into the broader smart home space.

## How Roku Makes Money

*% of revenues by segment, Q1 2021*



*Note: Roku's "Platform" segment mostly comprises digital advertising, subscription and transaction revenue shares, and licensing agreements, while the "Player" segment is made up by hardware and some software.*

*Source: Company earnings*

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