Roku Business Model

Idea In Short

Roku started as the company that shipped the first Netflix streaming box in 2008 and has since turned itself into an advertising and platform business that reaches more than 100 million households worldwide. Founder Anthony Wood remains chief executive and controls the company through Class B shares carrying enhanced voting rights. Hardware, including streaming players and Roku-branded TVs built with partners such as Hisense and TCL, drives customer adoption, but the bulk of Roku's profit now comes from its Platform segment: advertising, subscription commissions and content licensing. This article traces Roku's path from a single-purpose Netflix accessory to a diversified media company and it breaks down how each part of that platform, from OneView advertising to its Walmart shoppable-ad partnership, contributes to revenue heading into 2026.

From a Netflix side project to an independent company

Anthony Wood founded Roku in 2002 after selling his earlier company, ReplayTV, one of the first digital video recorders. In 2007, Netflix co-founder Reed Hastings recruited Wood to lead a Netflix hardware project internally known as Project Griffin, aimed at building a dedicated device for streaming Netflix content to television sets. Netflix ultimately shelved the plan to build its own hardware and Wood spun the project out as an independent company, releasing the first Roku player in May 2008 for $99.99.1

Roku released updated streaming player models through the following years and expanded into television hardware in January 2014, when it partnered with Hisense and TCL to launch the first Roku TV sets. That licensing arrangement let television manufacturers build sets with the Roku interface built in, rather than requiring buyers to attach a separate streaming device and it became a template for how Roku would later scale its operating system across the industry.

A free interface built to sell advertising, not subscriptions

Roku devices work as a hub for streaming channels rather than as a content service in their own right. Users connect a Roku player, TV or streaming stick to the internet, create an account and browse channels such as Hulu, Prime Video, Pluto TV and Netflix through a single home screen. The Roku Channel, the company's own free ad-supported service, sits alongside third-party apps and gives Roku a direct advertising inventory it does not have to share with a content partner.

> Roku doesn't charge users anything to use the platform itself. It makes money on what happens after someone turns the TV on

Universal search lets users look for content by actor, title or even a remembered line of dialogue rather than browsing channel by channel and the interface connects to smartphones for remote control and screen mirroring. That simplicity, combined with low hardware prices, has been central to Roku's strategy of getting devices into as many homes as possible, since a larger installed base of screens is what makes the advertising business valuable.2

Platform revenue overtakes hardware sales

Roku's Devices segment, which includes streaming players, Roku-branded TVs and newer products like smart home cameras and doorbells, was historically the company's public face but now generates a smaller share of total revenue than its Platform segment. Platform revenue includes advertising, the commissions Roku earns when users subscribe to premium channels through the platform and licensing fees paid by television manufacturers that build sets on the Roku operating system.

For 2026, Roku has guided toward Platform revenue growing nearly 21% to roughly $5.0 billion, alongside Devices revenue of about $535 million, for total net revenue near $5.5 billion, up 16% from 2025. That gap between segments reflects a deliberate strategy:

> Roku prices hardware close to cost, sometimes at a loss, to grow the base of households it can later monetize through advertising and subscriptions3

Building an advertising business around the TV screen

Roku's OneView platform lets advertisers plan, buy and measure campaigns across Roku's own inventory and, increasingly, across other streaming services and devices through partnerships the company has built over time. Ads appear between shows and when users pause content and Roku has invested in tools that let brands target viewers based on geography, viewing habits and other signals in ways that traditional broadcast television could not.

The company's partnership with Walmart, launched in 2022, lets viewers buy products directly from an ad by pressing a button on their remote, with payment details pulled from Roku Pay so the purchase completes without leaving the screen. Walmart remains the primary retailer using that shoppable-ad capability and Roku has framed the partnership as a way to move commerce beyond QR codes that require switching to a phone.4

Licensing the operating system to television makers

Beyond building its own branded TVs with Hisense and TCL, Roku licenses its operating system to other manufacturers, including Philips, Hitachi and JVC, letting them sell televisions with the Roku interface preinstalled. Each licensing deal gives Roku a share of revenue tied to activated devices, extending its platform reach without the company having to manufacture or distribute the hardware itself. That model has helped Roku become one of the leading smart TV operating systems in the United States and Canada by unit share, even though it does not manufacture most of the sets running its software. Roku OS accounted for roughly 28% of connected-TV usage among U.S. broadband households, ahead of Samsung's Tizen platform, according to Parks Associates research.5

Scale, concentration risk and international expansion

Roku surpassed 100 million streaming households worldwide by 2026, a milestone that reflects both device sales and the growing number of TVs sold under license with Roku OS built in. That household base underpins the advertising business, since a larger footprint of screens gives Roku more inventory to sell and better data to sell it against.

The company remains heavily dependent on the United States, which has historically generated the large majority of its revenue, leaving Roku exposed to shifts in domestic ad spending even as it expands internationally into markets like Mexico, Canada and parts of Europe. Anthony Wood, who still leads the company as chief executive, has kept Roku focused on the same core bet since 2008:

> build the interface, keep it free to use and make money on everything that happens after someone presses play6

Key Partners

Roku relies on streaming services such as Netflix, Hulu and Prime Video, which distribute content through the platform and, in some cases, share subscription revenue with Roku. Television manufacturers including Hisense, TCL, Philips, Hitachi and JVC partner with Roku to build sets running its operating system, either as co-branded Roku TVs or under licensing deals. Advertisers and agencies form another key partner group, buying inventory through the OneView platform. Retail partners, led by Walmart, extend Roku's advertising business into direct commerce.

Key Activities

Roku manufactures and sells streaming devices, Roku TVs and smart home products, while continuously maintaining and updating the software platform that runs across all of them. The company sells and serves advertising across its own channel and third-party inventory and it processes payments for channel subscriptions purchased through the platform. Licensing negotiations and technical support for television manufacturers using the Roku OS represent an ongoing activity distinct from its own hardware business.

Key Resources

Roku's software platform and the viewing and search data it generates from more than 100 million households form its most valuable resource, since that data underpins advertising targeting and measurement. Its employee base spans hardware engineering, advertising sales and platform software development. Licensing agreements and long-standing partnerships with streaming services give Roku distribution and revenue-sharing arrangements that would be difficult for a new entrant to replicate quickly.

Value Propositions

For viewers, Roku offers an affordable, easy-to-set-up way to access streaming content across services without needing a cable subscription. For advertisers, the platform provides targeted, measurable television advertising through OneView, including shoppable formats built with retail partners. For streaming services, Roku's large installed base gives them a distribution channel that reaches viewers who might not otherwise discover their app. For television manufacturers, licensing the Roku OS lets them ship smart TVs with a proven, popular interface without building software from scratch.

Customer Relationships

Roku maintains most consumer relationships through self-service account setup, its website and customer support channels rather than direct sales interactions. Advertisers and agencies work with dedicated Roku sales and account teams, particularly for larger campaigns bought through OneView. Television manufacturers and streaming service partners maintain ongoing commercial relationships governed by licensing and revenue-sharing agreements rather than one-time transactions.

Channels

Roku sells hardware directly through its own website and through third-party retailers such as Amazon and Walmart, alongside resellers that carry Roku-branded devices and Roku TVs. The platform itself, accessible on any Roku device or Roku TV, serves as the primary channel through which users discover content and encounter advertising. Advertising sales run through the OneView platform and a direct sales team for larger brand partnerships.

Customer Segments

Streamers looking for an affordable way to access entertainment make up Roku's largest user segment. Advertisers and brands, ranging from national retailers to smaller regional businesses, form the segment that drives most of Roku's profit. Streaming services depend on Roku's distribution to reach viewers, making them both partners and customers of the platform's promotional tools. Hardware buyers purchasing players, TVs or smart home devices and television manufacturers licensing the Roku operating system, round out the company's customer base.

Cost Structure

Roku's costs include manufacturing and distribution expenses for its hardware line, which the company often prices near cost to expand its user base. Employee salaries across engineering, advertising sales and content teams make up a significant share of operating expenses, alongside platform maintenance and the cloud infrastructure needed to run streaming and advertising services at scale. Marketing spending supports both device sales and the growth of Roku's advertising business.

Revenue Streams

Advertising forms the largest share of Roku's revenue, sold through OneView across its own channel and partner inventory. Subscription revenue-sharing, earned when users subscribe to premium channels through the platform, contributes a steady secondary stream. Device sales generate revenue from streaming players, Roku TVs and smart home products, while licensing fees from television manufacturers using the Roku operating system add a further stream tied to device activations rather than direct sales.

- 1Roku's origins as a Netflix hardware project
- 2Roku's company background and platform history
- 3Roku's 2026 revenue guidance and segment breakdown
- 4The Walmart-Roku shoppable advertising partnership
- 5Roku and Samsung lead connected TV platform usage
- 6Roku's household growth and platform milestones

Summary

Roku's shift from selling boxes to selling advertising mirrors a broader move across consumer technology, where hardware becomes the entry point for a recurring revenue business rather than the profit center itself. The company still depends heavily on the U.S. market, where the bulk of its advertising revenue originates and it continues to compete against Amazon, Google and the smart TV manufacturers that increasingly build their own operating systems. Licensing the Roku OS to TV brands and expanding shoppable advertising with partners like Walmart give the company additional paths to grow revenue without needing to sell more devices. Whether Roku can extend its platform lead internationally, where competitors have a head start, will shape how much of the connected-TV advertising market it keeps as that market matures.