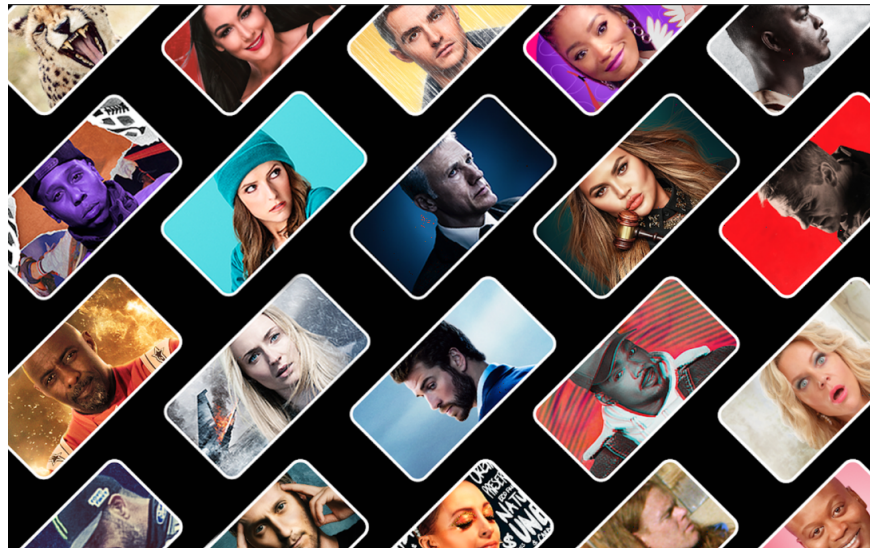


# Quibi is going all-in on mobile at the most awkward time

Quibi bet \$1.75 billion on phone streaming in a world now immobilized by the coronavirus. CEO Meg Whitman says Quibi is willing to change.

For unconventional streaming-video service Quibi, there's at least one optimistic glimmer as it launches in the middle of a life-altering pandemic: Even if its \$1.75 billion bet on video on-the-go is exactly wrong for this moment, CEO Meg Whitman says that Quibi is willing to change.

Quibi, yet another new subscription video service, launches Monday in the US and Canada. Like Disney Plus, Apple TV Plus, and the soon-to-arrive Peacock and HBO Max (not to mention the many others you've already been streaming for years), Quibi is betting billions it can lure you in with big-budget shows starring Hollywood's biggest celebs. It's one of the many tech and media giants vying to shape the future of TV as people like you flock to streaming.



But unlike the others, it has a twist. Quibi wants nothing to do with your actual TV. Quibi worships one screen alone: your phone. With its programming chopped down to 10-minute-or-less "quick bites" of video, Quibi is designed to watch with apps only on Apple iOS or Android.

That means you can't fire up your Roku or Apple TV to watch Liam Hemsworth fleeing manhunters on a tricked out living-room system. You can't open up your laptop and switch to a quibi.com stream when a group text starts blowing up your phone. Apple's iPads are compatible, even if the focus is on phones.

Even during normal times, Quibi's mobile-only bent goes against the norm. Virtually all paid streaming services strive for support on as many different devices as possible, with few exceptions. Verizon even tried a free mobile-only video service once, Go90. It failed. Quibi, which costs \$5 with ads and \$8 ad-free each month, will be the first paid service to isolate itself on mobile to such a large degree.

But these aren't normal times. Quibi's mobile-first service is launching at the moment the country has become immobilized. The new coronavirus, which causes the respiratory disease COVID-19, has locked down whole states and shut down entire industries. What's the fate of a streaming service designed to be watched on the go when nobody is going anywhere?

Whitman said that, if necessary, the fate could be to change.

"Up until April 6, when we launch on Monday, this has been about instinct, judgment, pattern recognition...all the trends," Whitman said in an interview Thursday. "Starting April 7, this will be about data. And if all of our users are saying, 'We really want to be able to watch this content on our big screen,' then we'll develop the capability to do that."

## **Quarantined with the smallest screen?**

Quibi's long-term rationale to bet on mobile isn't changed by the coronavirus. Quibi has long argued that 25- to 35-year-olds already spend five hours on a mobile device, and it's banking on all the research that mobile video is will only keep growing.

And on the bright side, people are spending a lot more time streaming video while they're trapped inside their homes. The amount of time US households streamed to their TVs in the week ending March 22 more than doubled from a year earlier, according to TV-ratings giant Nielsen. Streaming to TVs has even climbed 36% from just three weeks earlier.

People are also streaming a ton of Quibi-style short-form video at home too -- on a little service called YouTube.

Thanks to our new lockdown reality, YouTube has overtaken Netflix as the biggest overall traffic driver even as overall numbers have jumped. Typically, Netflix gobbles up the most downstream traffic on the internet, while YouTube dominates on mobile networks, according to analytics company Sandvine.

It's a fair bet that a lot of that YouTube viewing at home is still on mobile devices. In non-doom times, more than 70% of YouTube's total watch time is to mobile devices, the Google company said last year.

"People are using their phone *as* a TV," said Mike Vorhaus, a digital media analyst and CEO of Vorhaus Advisors. "I said this starting five or six years ago to some of the top Hollywood executives, and they're like, 'No way, nobody's going to watch a small screen when they could watch a big screen.' It turns out, that's not true. A lot of people don't care."

## **Living room upgrade?**

But some people do care: Netflix watchers. Like Quibi, Netflix makes high-end programming that lends itself to larger screens that show off all that polish. And for Netflix viewing, screen preference is the opposite of YouTube.

About 70% of Netflix's viewing happens on TVs globally, the company said in 2018. Only 10% of Netflix hours are on a phone. Quibi has pointed to this imbalance as an opportunity it can exploit, but it could also reflect a streaming behavior that works against Quibi's strategy.

The major distinction between Netflix's content and Quibi's is duration. Quibi is exclusively making short-form episodes of 10 minutes or less. Netflix is the home of oh-hey-it's-dawn binge watching and that three-and-a-half-hour Martin Scorsese movie. It's possible people watch Netflix on TVs because they know they're settling in for a long haul.

But ShortsTV, the world's biggest short-film provider, says its mobile viewers love epic binges too. Like Quibi, it's a short-form specialist focused on highest-quality content -- the company is known as the distributor for the Oscar short-film nominees every year. ShortsTV has been testing a mobile app to stream its short-film library in beta with about 500 users.

"Mobile viewers have a very specific and different way of watching: They're watching a lot of content at once," said Carter Pilcher, the CEO of ShortsTV. Average mobile viewing has doubled and even tripled the average viewing time on its regular TV channel, Pilcher said.



While that might seem like good news for Quibi, Pilcher has a caveat. People watching short films on mobile tend to "stay in their lane." If somebody is a horror buff or a drama aficionado, they tend to dive deep into it and not jump around, Pilcher said.

That behavior could be tricky for Quibi. Especially at launch, Quibi's library includes a large, thin spread of many kinds of programming, rather than deep rabbit holes that customers can burrow into. If short-form viewers prefer to stay in their lane, Quibi's catalog, at least at first, will force them to merge over a lot.

Quibi's library, which is all original, will deepen with time. It's launching with more than 50 titles; by the end of its first year, it will have 175 original shows, totaling about 8,500 episodes. Even with coronavirus shutting down productions around the world, Whitman said Quibi has enough programming to last "through September, October, even as late as Thanksgiving."

And Whitman said Quibi is open to changing how it releases shows, too. As planned, Quibi will drop subsequent episodes of every series daily Monday through Friday until the finale. "We thought we could bring back some of the watercooler effect" that has been lost as audiences binge episodes out of synch with each other, she said.

"But if our users say, 'We want to binge it,' then we can just load it all up on day one," she said.

Launching in a pandemic isn't what anyone expected. The company is offering 90-day free trials to lower the financial hurdle to subscribe at a time that many consumers are worried about a grim economy; before the coronavirus hit the US, the company originally planned its free trials to be two weeks, Whitman said. But even in lockdown, people will likely still want to take a break for 10 minutes of entertainment here and there, she said

"I suspect it will be different than we anticipated, but I suspect they'll still be in-between moments" to watch Quibi even if people aren't on the go, she said.

That may mean that ultimately, the thing that could end up different than what Quibi anticipated is Quibi itself.

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