

A Strategic Case Study of Quibi’s Failure in the Premium Short-Form Streaming Market

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Abstract:

In April 2020, Quibi launched with a huge amount of money (over \$1.75 billion from investors), and some of the biggest names in Hollywood supporting it. Quibi claimed to have created a new way to enjoy mobile-only streaming through their special “Turnstile” technology and to offer unique short videos to the public. After just 6 months, they declared their service would no longer be available due to its failed launch. This case study looks into why an entity with so much investor money, Hollywood talent, and innovative technology experienced one of the most prominent cases of failure within digital media. Using publicly available information about their financials and industry analysis as well as traditional market research, this paper seeks to answer the question of how Quibi was unable to succeed, despite having never-before-seen amounts of investment and talent. Research will focus on three primary areas to explore the flaws related to PMF and monetization, as well as the timing of the launch, which led to a failure of a well capitalized and talented entity. Lessons learned through this research can provide guidance to digital media entrepreneurs, product managers and digital media-focused investors.

Keywords — Quibi, short-form streaming, product-market fit, digital media, startup failure, mobile video, venture capital.

I. I. INTRODUCTION

Even though Quibi was a start-up that had everything it could ask for, it ultimately failed. The Quibi launch story will serve as a case study in business schools for years. Quibi was not underfunded or staffed poorly; it launched with \$1.75 billion in the bank, the best talent in Hollywood being used to create content and a unique technology feature rarely seen before. Quibi had enough launch runway for nearly every startup you can think of to be green with envy, and yet within 6 months of launching it was going to be shutting down. This case study will look at the reasons why. The heart of Quibi is that it was an experiment creating a new category of entertainment, short form high quality video developed only for mobile screens. The belief was that people, especially millennials and Gen Z, were demanding high quality content that could be watched quickly while commuting, on lunch breaks and during other short breaks throughout their days.

This study is going to look at Quibi’s strategic miscalculations, market miscalculations, and misfortune with timing to arrive at a failure. Reviewing Quibi’s financial statements, industry analysis and consumer behavior data will result in lessons that can assist with better product strategy, launch strategy and assist an investor in making more informed decisions.

Core Research Questions:

- Why did Quibi fail to achieve sustainable user growth despite massive funding and brand recognition?
- What role did product-market fit — or the lack of it — play in the platform’s collapse?
- How did the COVID-19 pandemic and competitive landscape accelerate Quibi’s demise?
- What could Quibi’s leadership have done differently, and what can future ventures learn from it?

II. II. BACKGROUND

A. A. Company Overview

In 2018, Jeffrey Katzenberg — the co-founder of DreamWorks and an iconic Hollywood producer — and Meg Whitman — former President and CEO of eBay and Hewlett-Packard — co-founded Quibi. Together they formed a unique blend of expertise in the entertainment industry (Katzenberg) with strong executional experience in the tech industry (Whitman). The name of the company itself, Quibi — stands for Quick Bites — was indicative of their focus on creating short-form content that could be consumed in 10 minutes or less.

Pre-launch, the company raised \$1 billion from major film studios such as Disney, WarnerMedia, NBCUniversal, Sony and many others. Shortly before launch, they raised an additional \$750 million, giving the company one of the largest amounts of funding ever for any new media company. They also attracted top names in the entertainment industry to help them create original programming such as Steven Spielberg, Jennifer Lopez, Lena Waithe and Chrissy Teigen.

TABLE 1: QUIBI — KEY COMPANY FACTS AT A GLANCE

Company	Quibi (Ithink Financial Inc.)
Founded	2018, by Jeffrey Katzenberg & Meg Whitman
Launch Date	April 6, 2020
Shutdown Date	December 1, 2020
Total Funding	\$1.75 billion
Peak Subscribers	~500,000 paying users (est.)
Content Type	Short-form episodic content (under 10 min/episode)
Target Platform	Mobile-only (iOS & Android)

B. B. The Product Vision

The use of “Turnstile” (Quibi’s key technological development) will allow users to see their video in either orientation depending on how they hold their phone while watching it. To do this, though, content must be created using two different cameras, so it is much more costly to create than content that would be made for YouTube, for instance. But the idea was to deliver content to the viewing experience for the mobile user that had been produced by well-known professional producers, thus providing a unique experience for consumers.

Quibi also placed its service in the premium space by charging \$4.99 a month with ads and

\$7.99 without, as opposed to YouTube, where all content is free and TikTok, where content is generated by end-users. In short, Quibi attempted to create a brand new category of content that exists somewhere in between social media and cinema.

C. C. The Competitive Landscape in 2020

At the time when Quibi launched, the online streaming battle had reached a pinnacle in momentum, with many competing services: Netflix had over 180 million subscribers; Disney+, after launching in November 2019, gained 50 million subscribers within five months of launching; HBO Max was preparing to launch at that time; and Apple TV+ had only recently launched. Not to mention that YouTube had more than 2 billion monthly users, and TikTok was exploding within the demographic segment Quibi was targeting.

Quibi believed it created a brand new segment, because all of the other video-streaming competitors were not creating high-quality, 10-minute episode content specifically designed for being watched on mobile devices. However, as will be shown throughout this case study, the segmentation that Quibi believed they created was much more present in the Quibi boardroom than it was in the minds of the consumers.

III. III. PROBLEM STATEMENT

The Quibi company experienced multiple missteps that ultimately resulted in its downfall. These missteps boiled down to errors in thinking through what kind of technology would be a good fit for their customers at any given point in time. They then built a very elaborate, costly and advanced machine for a use case that didn’t exist in the minds of those consumers. They launched their service at a very inopportune time during the Coronavirus pandemic. And, lastly, Quibi also failed to adapt fast enough to be able to thrive, given the time period when they launched.

D. D. Problem 1: Misunderstood Consumer Behavior

Quibi was made for people on the go and wanted to make content for “between” time —

like waiting for the bus, waiting in line, or breaks during work. The assumption that these people would pay \$7.99 per month for professionally produced content that had to be viewed in the Quibi application was a fundamental behavioral change that was not validated with enough rigor prior to investing \$1.75 billion.

E. Problem 2: Catastrophic Timing of Launch

Quibi was scheduled to launch on April 6, 2020 — just two weeks after the United States declared COVID-19 a national emergency. The “on-the-go” content consumption of Quibi did not exist for over 200 million people overnight. Many consumers were now stuck at home with their large-screen televisions and/or laptops, drastically reducing the demand for a “mobile-only” platform. Ironically, the pandemic accelerated all of the other streaming services and Quibi did not benefit from any increase in subscribers.

F. Problem 3: Mobile-Only Limitation

Quibi is a mobile-first service and its design reflects that choice. As people were forced to stay home during Covid-19, the service experienced the majority of complaints around the fact that it didn’t offer the ability to view content through their TVs or browsers. Both competitors, Netflix and Disney+, allow users to access their content across multiple devices. Therefore, Quibi’s design of not offering users a way to use a TV as a viewing option would be perceived as an inconvenience, rather than a distinctive feature.

G. Problem 4: No Social Sharing Available

In today’s world of social media, content is defined by its ability to be shared socially. Quibi was designed with security in mind and it restricted the ability to capture or share content through screen captures, clips, Instagram Stories, Twitter, and TikTok. This also had the added effect of eliminating organic viral growth on the platform since there was nothing available for users to share with their friends, making word-of-mouth discovery virtually impossible.

H. Problem 5: Weak Retention Metrics

Quibi was launched with a 90-day free trial and claimed 1.7 million app downloads when it first launched. They reportedly converted to paid subscribers at a rate as low as 8% after the free trial had ended, for around 500,000 active subscribers at launch — far less than would be needed to sustain their content budget. At around \$100k per minute for premium content, 500k subscribers means just over 5 minutes of additional programming. The economics of this business model could not be supported.

IV. IV. DETAILED PROBLEM ANALYSIS

I. A. Product-Market Fit Analysis

The product-market fit — as defined by Marc Andreessen — is how well a product meets the demand of a real market. There is a serious inconsistency between what Quibi believed about consumer behaviour (watching content during “in-between” times) and the facts surrounding mobile video consumption before the pandemic in 2019. Research on mobile video use indicates that about 63% of all mobile video viewing occurs at home, rather than while moving around. This data point alone would have destroyed the theory underlying Quibi’s business model.

Another failure of Quibi’s product-market fit is that it was designed based on Clayton Christensen’s “Jobs-to-be-Done” framework; e.g., when a consumer picks up their phone to watch something during an “in-between” time, they are ‘hiring’ content to fulfill the job of providing entertainment — which is consistent with how consumers use TikTok and Instagram Reels. The creators of Quibi incorrectly equated “short” with “casual” when their content required a more intentional use of the viewer’s attention than content created by their competition.

J. B. The COVID-19 Factor

While the impact of COVID-19 has been well-documented as the primary reason for Quibi’s demise, a closer examination reveals that it functioned primarily as an accelerant rather than the primary cause. The underlying product and business model issues that affected Quibi were

likely to affect Quibi regardless; therefore, the pandemic only provided less time for Quibi to be able to pinpoint and rectify its issues.

However, the timing of the pandemic was particularly damaging. In Q1 2020 alone, Netflix gained 15.8 million subscribers; Disney+ added 7.5 million subscribers; and even niche services experienced tremendous growth. Quibi launched into this environment as a mobile-only, paid-service, requiring users to leave their homes to be able to enjoy Quibi services completely.

Additionally, the pandemic collapsed any timeframe for iteration to occur. Under normal conditions, a company who received \$1.75 billion in funding would generally have had a timeframe of 18–24 months to address any issues; however, because of the reputational damage from Quibi's launch, the operational pressure of producing content on a monthly basis, the company developed a cycle from which it would never recover.

K. C. Competitive Analysis Using Porter's Five Forces

- The influx of new competitors into the streaming industry is high due to Disney+, HBO Max, and Apple TV+, all of which are well-funded companies with existing brand power.
- Because consumers have many free or inexpensive options, they are unlikely to want to pay for Quibi's service.
- Hollywood talent has a high price tag and the company is unable to justify spending money on so many talented people without having a subscription base to support it.
- There are so many options for short-form video content (YouTube, TikTok, and Instagram Reels) that any of the three options can easily replace Quibi's service.
- Quibi's niche is extremely limited and exposed to many competitors across large technology companies (YouTube), social media companies (TikTok), and traditional streaming services (Netflix and Disney+).

L. D. Financial Unsustainability

The cost Quibi incurred to produce content is about \$6,000 per minute, which is on par with standard premium television production costs. The total cost of content for the 175+ shows scheduled for release during the first year of Quibi's operation is several billion. Analysts estimated that Quibi would need from 7–8 million paying subscribers in order to break even. Their estimated peak subscriber count was approximately 500,000 — approximately 6–7% of the number of subscribers required to break even — and they were burning through cash at an unprecedented rate.

Quibi also underestimated the potential challenge of delivering the number of views they promised advertisers based on their advertising model and have indicated that they would honor any refunds to advertisers for their advertising buy — an admission that they were unable to deliver on their promise, further eroding confidence in the company from its partners and investors.

V. V. PROPOSED SOLUTIONS AND ALTERNATIVES

There are many possible paths that Quibi could have taken, both before it launched and while it was running, that would have improved their chances of success.

M. Solution 1: Pre-Launch Consumer Validation

One of the most critical decisions Quibi could have made was to delay launching their service until after doing extensive beta testing with actual consumers outside of Silicon Valley and Hollywood. By running a pilot program in late 2019 with 50,000 to 100,000 actual consumers, Quibi would have discovered the social sharing issues, the problems with viewing it at home as opposed to on the go, and the challenge of competing against free content prior to spending \$1.75 billion on an untested product. Pros: Avoids wasting time and money on an unsuccessful product. Cons: Delays bringing a new product to market and may miss the competitive window.

N. Solution 2: Multi-Platform Expansion (TV, Web)

Changing the mobile-only limitations would have been the largest change on Quibi's part mid-launch. Since 63% of mobile video was typically viewed in the home, it makes no sense to limit consumers who wanted to cast their content to a TV. Months later on the backend of their Q3 earnings, the company announced they were creating a TV app — but at that point in time, they could not have gained back any losses of subscribers from Q1 & Q2. Advantages: Increases the potential for how the identified audience could use Quibi. Disadvantages: Takes away from the mobile-first brand position.

O. Solution 3: Enable Social Sharing and Clip Functionality

Giving users the option to upload short videos (even if they contain a watermark) to platforms like Instagram, TikTok, and Twitter would have led to organic and viral growth at an extremely low cost. While there was a legitimate fear of intellectual property loss, the fear was somewhat misplaced since the priority was protecting assets of content that was not being viewed rather than gaining new users. Benefits: Exponentially increase organic reach. Drawbacks: Content piracy through copying and re-uploading.

P. Solution 4: Pivot to a Hybrid Freemium Model

Turning to a hybrid freemium or ad-supported model (as opposed to relying on first day paid subscriptions) could have been an option for Quibi, similar to how Hulu operated initially. There is lots of evidence to suggest that many of the trial users did not move to paid subscriptions (89%), indicating that something was wrong with their price to perceived value ratio. The use of a freemium model would allow for long term audience building through the loss of immediate revenue. Advantages: Reduction of barrier to entry, increased audience & advertiser leverage. Disadvantages: Loss of immediate revenue, need to renegotiate content deals.

Q. Solution 5: Reposition as a B2B Content Licensing Platform

A B2B Content Licensing platform could have been a new opportunity for them, as it was clear that they did not gain traction with the consumer market. They could have leveraged their Turnstile technology and premium content library to sell those to airlines, hotels, fitness centers, and any other potential clients to whom this content can be targeted. Advantages: Monetizes content assets that have already been created. Disadvantages: Requires reworking all aspects of business model structure, long sales cycles.

VI. VI. RECOMMENDATIONS AND IMPLEMENTATION PLAN

R. A. Priority Recommendations

If Quibi had the opportunity to restart with the benefit of hindsight, the recommended sequence of actions would have been:

Phase 1: Pre-Launch Verification (Months -12 to -3)

- Run wide-scale consumer research focused on how much consumers are willing to pay for short-form premium mobile content vs. free options.
- Conduct a closed beta with 100,000 real users and measure session duration, return rate customers and social sharing behaviour.
- Use the information from beta to reconsider the mobile only limitation and the no sharing policy before finalizing engineering and content budgets.
- Decrease content development cost per minute from \$6,000 to a more reasonable amount of \$2,000–\$3,000 while keeping production quality for a limited number of series.

Phase 2: Reconfigure for Launch (Month 0–3)

- Launch mobile, browser and TV at the same time with mobile as the primary experience rather than the only experience.
- Offer a limited free version of 60 min. a day with the paid subscription when launching.

- On day-one allow shareable clips (watermarked, 90 sec max) to all social platforms.
- Produce a KPI goal of 1 Million paid subscribers in 90 days from launch. If trending away from this goal by the end of Month 2, hold a Board Level Strategy Review.

Phase 3: Scaling or Pivoting (Month 3–6)

- If subscriber growth exceeds projections: double down on content investment and accelerate international expansion.
- If subscriber growth is below 500,000 at Month 3: immediately activate B2B licensing conversations and explore acquisition discussions with larger platforms.
- Commission user research specifically on churn reasons and top retention drivers. Use findings to reconfigure the content slate within 60 days.

S. B. Implementation Timeline Summary

TABLE 2: RECOMMENDED IMPLEMENTATION TIMELINE

Timeline	Key Action
Month -12 to -6	Consumer validation research; product-market fit testing
Month -6 to -3	Closed beta; data-driven feature reconfiguration
Month -3 to 0	Multi-platform development; freemium model design
Month 0 (Launch)	Simultaneous mobile + browser + TV launch with clip sharing
Month 0 to 3	Conversion tracking; weekly subscriber KPI reviews
Month 3 to 6	Pivot decision based on subscriber growth trajectory

VII. VII. CONCLUSION

The experience of Quibi is a primary cautionary tale about what happens when ambition goes unchecked by the use of stop signs. The three legs that supported the company were talent, technology (production quality), and wide-ranging distribution relationships, all supported by an abundance of capital resources. Where they failed was in their lack of honest consumer-grounded clarity regarding whether there was even a potential market for the product they were creating.

Quibi’s product was put together using a solution-first, rather than problem-first, approach;

the “in-between moments” hypothesis was communicated in pitch decks and in board meetings but was never thoroughly tested against actual consumer behavior on a large scale. When COVID-19 eliminated the physical locations of these moments, the strategy fell apart. The lessons Quibi teaches reflect universal principles regarding product development and strategic planning:

- Customer Insight Cannot be Replaced by Capital: Having \$1.75 Billion Made It More Difficult (Not Easier) to Identify Early Warning Signs of Trouble.
- Self-Imposed Platform Limits Should Serve Users, Not Brand Identity: Being Mobile Only Was An Ideological Decision Not Made Based on the User Experience.
- Viral Growth Is Required in Crowded Markets: Without Social Shareability, User Acquisition Costs Are Absolutely Unsustainable.
- Launch Timing Is An Important Strategic Consideration: Having Flexibility To Delay A Launch — Even A High Profile Launch — Is An Advantage Over The Competition.
- Conversion Data Is A Product Feedback System — An 8% Conversion Rate For Trial Users To Paying Users Is Not A Story Of Bad Luck, It Is An Alarm That Indicates Poor Product Market Fit.

At the End of the Day Quibi Is An Incredibly Expensive Example Of A Product Market Fit Experiment Within Consumer Technology — Not a Story of Malice Toward Its Founders (Who Brought Interesting Ideas And Industry Knowledge), But Rather A Sincere Reminder That Regardless of Quality Implementation, Great Ideas Can Fail If They Are Developed For A World Different from Our Imagination.

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IX. APPENDIX

T. Appendix A: Subscriber Comparison at 6-Month Mark

TABLE A1: STREAMING PLATFORM SUBSCRIBER MILESTONES

Platform	Launch Date	Subscribers at ~6 Months	Price (2020)
Netflix	April 2007 (streaming)	~1,000,000 (est.)	\$7.99/mo
Disney+	November 2019	~28,600,000	\$6.99/mo
HBO Max	May 2020	~36,600,000 (HBO legacy)	\$14.99/mo
Apple TV+	November 2019	~10,000,000 (est.)	\$4.99/mo
Quibi	April 2020	~500,000 (paying)	\$4.99–\$7.99/mo

SOURCE: COMPANY EARNINGS REPORTS; ANALYST ESTIMATES WHERE OFFICIAL FIGURES UNAVAILABLE. QUIBI SUBSCRIBER FIGURE BASED ON ANALYST ESTIMATES FROM SENSOR TOWER AND BLOOMBERG REPORTING.

U. Appendix B: Quibi’s Key Strategic Failures — Summary Matrix

Failure Factor	Severity	Primary Impact
Poor Product-Market Fit	High	Consumer need not validated pre-build
Mobile-Only Restriction	High	Eliminated home usage during COVID-19
No Social Sharing	High	Killed organic growth and discovery
COVID-19 Timing	Critical	Removed the core usage context entirely
Overpriced Subscription	Medium	8% trial conversion confirms price resistance
Content Spend Mismatch	High	Budget required 7–8M subscribers to sustain