

THE SMART SPEAKER REPORT

HOW SMART HOME, E-COMMERCE, MEDIA, AND
PAYMENTS COMPANIES CAN LEVERAGE CONSUMER
HABITS ON THE EMERGING DIGITAL PLATFORM

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BUSINESS
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KEY POINTS

- **Smart speakers comprise one of the fastest-growing device segments in the consumer technology market today.**

Ownership levels have nearly doubled over the last two years, rising from 28% in early 2017 to almost 55% in summer 2018. And we expect that by 2023, there will be nearly 200 million smart speakers in US homes. This presents an opportunity not only for manufacturers, but also for those looking to sell products, deliver media, and offer access to services like banking over these devices.

- **This growth has been driven by rapid hardware iteration in the market since Amazon's introduction of the Echo smart speaker and the Alexa voice assistant in 2014.**
 - Google and Apple have also released flagship smart speakers powered by their own voice assistants — the Google Home powered by Google Assistant and the Apple HomePod powered by Siri, respectively.
 - And Samsung previewed its own entry into the market with the Galaxy Home in August 2018.

- **Business Insider Intelligence's 2018 Smart Speaker survey collected responses from more than 500 US consumers to better understand their knowledge of and engagement with smart speakers.** We first conducted a survey delving into smart speaker ownership in February 2017, and followed up recently with a more in-depth survey that gives us key insight into changes in the market.
- **Despite their growing popularity, nearly half of respondents still don't own a device — which presents a long runway for adoption.** Our survey data reveals a number of key factors that impact whether or not someone owns one of these devices.
 - **One key factor is on the basis of income.** Just 40% of consumers with annual household incomes under \$75k own smart speakers, compared to 65% of those with incomes over \$150k. These devices are still seen as luxury devices, and those without extensive disposable income are less likely to invest in one.
 - **Smart speakers are most likely to be owned by millennials and Gen Xers, with baby boomers lagging behind significantly.** This aligns with general technological expectations — younger consumers are more likely to adopt newer technology — but Gen Xers are also more likely to be homeowners who have a place for a smart speaker, as well as the disposable income to spend on the devices.
 - **Most Amazon Prime members — 60% of them — are smart speaker owners.** Meanwhile, just 30% of those who aren't members of Amazon's premium service own smart speakers.

- **And many consumers receive smart speakers as gifts from others, rather than purchase the devices on their own.** Almost half of those who identify as members of the late majority who do own smart speakers said that they received them as gifts, along with a third of early majority consumers.
- **Smart speakers are establishing themselves as a key platform.**

But what is more relevant to companies across the e-commerce, smart home, digital media, and payments spaces is what consumers are actually doing with these devices.

 - **Many of the most common tasks consumers use smart speakers for are routine tasks such as checking the weather, setting reminders or timers, and performing general searches.** These use cases can be classified as ways that the smart speaker is replacing the phone, since it's a more convenient and less intrusive option in many ways as it doesn't force interaction with a screen and enables hands-free use.
 - **Voice shopping is a high-profile use for the smart speaker, but consumers aren't taking to it in huge numbers.** Part of the reluctance to actually make purchases by voice could be a lack of knowledge of the process in detail. As screens become more common on smart speakers, voice shopping and purchasing could grow more common in turn, but smart speakers with screens are still rare, more expensive, and limited in utility since consumers can only use the screen when in proximity to the device.

- **Consumers are highly aware that these devices are media consumption platforms.** Music streaming leads the pack in actual use, with 63% of device owners saying they've paired their speakers with a service. And beyond just setup, playing music is the task most commonly engaged in on the smart speaker, with nearly two-thirds of device owners saying it's one of their three most common tasks.
- **Lagging behind other tools in awareness are banking and payments capabilities, such as checking a bank account balance or paying a credit card.** These use cases are harder for banks to increase awareness around, since there are a large number of banks, each with a limited number of customers — and an even more limited number of customers who own smart speakers — so it's likely not worth the expense to expand efforts on this platform. Moreover, the smart speaker medium isn't suited for this type of application, as voice and financial details don't mesh.
- **The introduction of a screen to some smart speakers will expand the possibilities for companies developing for the device — but developers will need to resist the compulsion to use speakers to accomplish too much.** The devices are primarily remotes that work best when controlling things around the home or playing audio. They are not primary consumption devices outside of audio, since they're inevitably going to be smaller, stationary screens that will provide a poor facsimile of a tablet experience. But screens could create new and improved media and e-commerce opportunities.

- **The smart speaker will continue to grow for a number of years to come, but the market won't continue to expand for that much longer.** The voice assistant will move beyond the smart speaker and into other devices around the home. The smart speaker's growth as a device class will level off, but the changes that it brings with the introduction of voice will transform how people control their homes and media, as well as make purchases.

[Download the charts and associated data in Excel »](#)

INTRODUCTION

Smart speakers are one of the fastest-growing device segments in the consumer technology market today. While smartphones approach market saturation and tablets exhaust the ranks of consumers willing to buy them, smart speakers have grown rapidly in the four years since Amazon's introduction of the Echo — Business Insider Intelligence estimates that there will be more than one speaker for each household in the US by 2021.

With this rapid growth, there are a few pivotal questions that both companies looking to develop and sell smart speakers as well as those looking to sell products, deliver media, and offer access to services like banking over these devices need answers to in order to craft successful strategies. In particular, they need to know who is and isn't buying smart speakers, and what consumers who own smart speakers are actually doing with them.





To offer these stakeholders insight, this report will use exclusive data from Business Insider Intelligence's 2018 Smart Speaker survey, which collected responses from more than 500 US consumers drawn from the BI Insiders panel. The survey was centered around their knowledge of smart speakers, the devices they do or don't own and what led them to their purchase decisions, as well as the tasks they're using their smart speakers for. For more information about the panel, see the Survey Methodology section at the end of this report. Members of our panel tend to be more affluent and tech-savvy than the general population, which makes them a good indicator for future trends in tech and commerce.

In this report, Business Insider Intelligence will look at the state of the smart speaker market and outline how each of the major device providers approaches the space. We will then focus on the key factors that affect whether or not someone owns one of these devices. Next, we will use our survey data to outline the reasons why people don't own devices in order to offer guidance for who to target and how. Finally, we will discuss what consumers are actually doing with their smart speakers — specifically looking at how the devices are used and perceived in e-commerce, digital media, and banking — which can help companies determine how well they're publicizing their smart speaker services and capabilities.

THE SMART SPEAKER MARKET

Following Amazon's introduction of the Echo speaker and the Alexa voice assistant in 2014, there's been a period of marked growth as well as rapid hardware iteration in the smart speaker market. In that time, Google and Apple have also released flagship smart speakers powered by their own voice assistants — the Google Home powered by Google Assistant and the Apple HomePod powered by Siri. And Samsung previewed its own entry into the market, the Galaxy Home, in August 2018.

Though this isn't an exhaustive account of the players in the smart speaker market, these are the biggest companies competing in the space. Critically, they're also not just releasing devices; they're also developing AI-powered voice assistants for consumers to interact with through their hardware and building ecosystems that pair first-party hardware and software — sometimes with third-party apps — to further other business interests.

THE SMART SPEAKER MARKET							
Name	Speaker line	Voice assistant	First released	Number of devices	Price ranges	Screened version	Third-party ecosystem
Amazon 	Echo	Alexa	October 2014	10+	\$49-\$299	Yes	Yes
Google 	Home	Google Assistant	October 2016	3	\$49-\$399	No	Yes
Apple 	HomePod	Siri	February 2018	1	\$349	No	No
Samsung 	Galaxy Home	Bixby	Not yet released	1	Unknown	Unknown	Unknown
Source: Business Insider Intelligence, 2018				BUSINESS INSIDER INTELLIGENCE			

The various forms of smart speakers that companies have or will release are relatively similar, varying slightly in terms of focus and design. But where the differentiation occurs is in each smart speaker provider's approach to the market and the device characteristics that align with their aims in the space.

Here's how each of the major players in the smart speaker space approaches the market:

- **Amazon's main aim is to offer consumers a new means of purchasing goods to reinforce its place atop the e-commerce pyramid.** Users can speak to Alexa and buy products off Amazon directly through voice, as well as add items to their shopping cart or a list for later review. And some Alexa-enabled devices, such as the Echo Look and the Dash Wand, are specifically designed to open up new sectors of commerce or to reduce pain points in the purchasing process; the Echo Look is meant to provide apparel feedback and recommendations, while the Dash Wand lets consumers scan packaged products with barcodes to quickly reorder items purchased through Amazon or in stores.
- **Google's devices are primarily meant to act as versatile and helpful assistants that prompt consumers to use Google's services more often.** This provides the company with more data it can use to offer more targeted — and thus more expensive — advertising to its voice search users on other platforms. Voice search is becoming more common worldwide — these searches account for 20% today and are expected to make up half of searches by 2020. Google seeks to maintain its status as the search leader and establish itself in the home — as it has in personal and mobile computing — by leveraging its AI and voice processing capabilities.

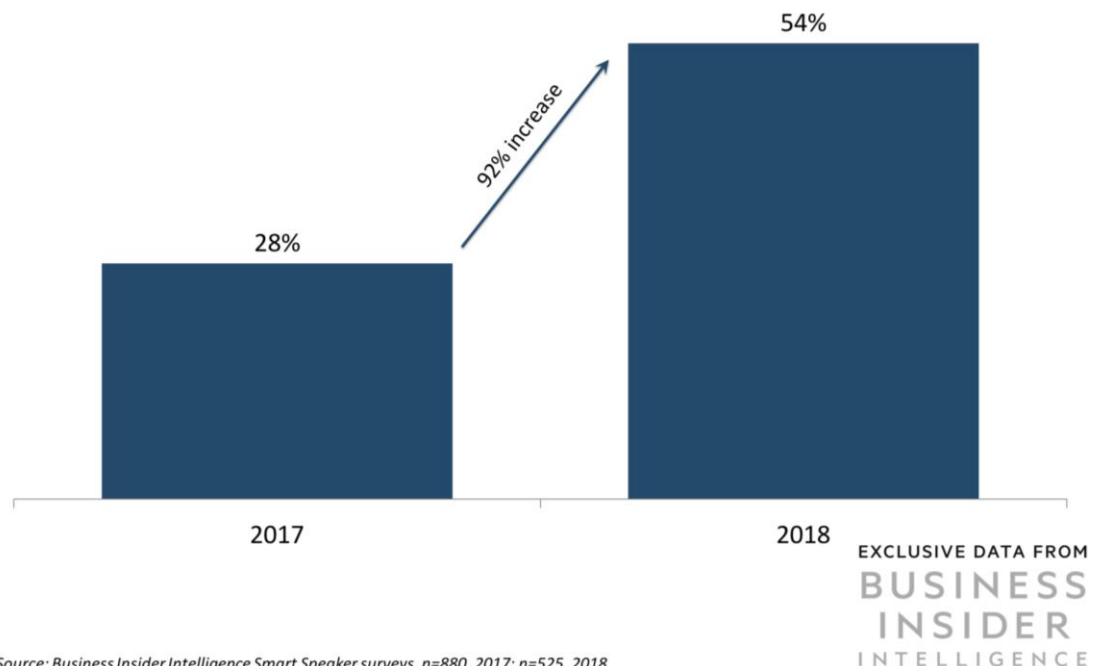
- **Apple is looking to build a revenue stream from hardware sales of its HomePod while countering Google's move into the market.** It focuses on the speaker elements of its device in its sales pitch, emphasizing how well the device plays music and not elaborating extensively on the its smart aspects. Sales of the HomePod will likely reinforce Apple's "other services" revenues as users will likely subscribe to Apple Music — and the HomePod makes it a better potential value by providing another, better way to listen to music. But given the device's \$349 price tag, the smart speaker is primarily meant to augment hardware revenue.
- **Though its Bixby-powered Galaxy Home isn't out yet, Samsung's first foray into the smart speaker market shows that it's looking to challenge the Apple HomePod and the Google Home Max as premium, music-first speakers.** And it's looking to continue to engage in its competition with Apple as they vie for the perch of leading purveyor of consumer technology. But at the same time, Samsung makes and sells a wide variety of electronic products including smart appliances and could be a giant in the smart home space by routing and controlling the myriad connected home devices through the speaker, should its Bixby-
There are other devices with voice assistants built in, including from large players in the market like Sonos, LG, Anker, and others. And there's the notable entry of Facebook's Portal lineup, which features two screen-equipped smart speakers that are aimed mainly at enabling video chatting and powered by Alexa. But where these companies differ in their approach is that rather than developing an original voice assistant, they are designing speakers that integrate assistants from Amazon and Google. So they're building devices that will for the most part fit into existing ecosystems rather than their own, unique ecosystems.

SMART SPEAKER ADOPTION IS ON THE RISE

Smart speaker ownership levels have continued to rise over the last two years. Business Insider Intelligence first conducted a survey delving into smart speaker ownership in February 2017, and followed up recently with a more in-depth survey in summer 2018 that gives us key insight into changes in the market. Both surveys were fielded to the BI Insiders panel, which is drawn from Business Insider readers, who tend to be tech-savvy early adopters, so adoption levels might be represented as somewhat higher than the broader public.

Smart Speaker Ownership Rates Are Growing Fast

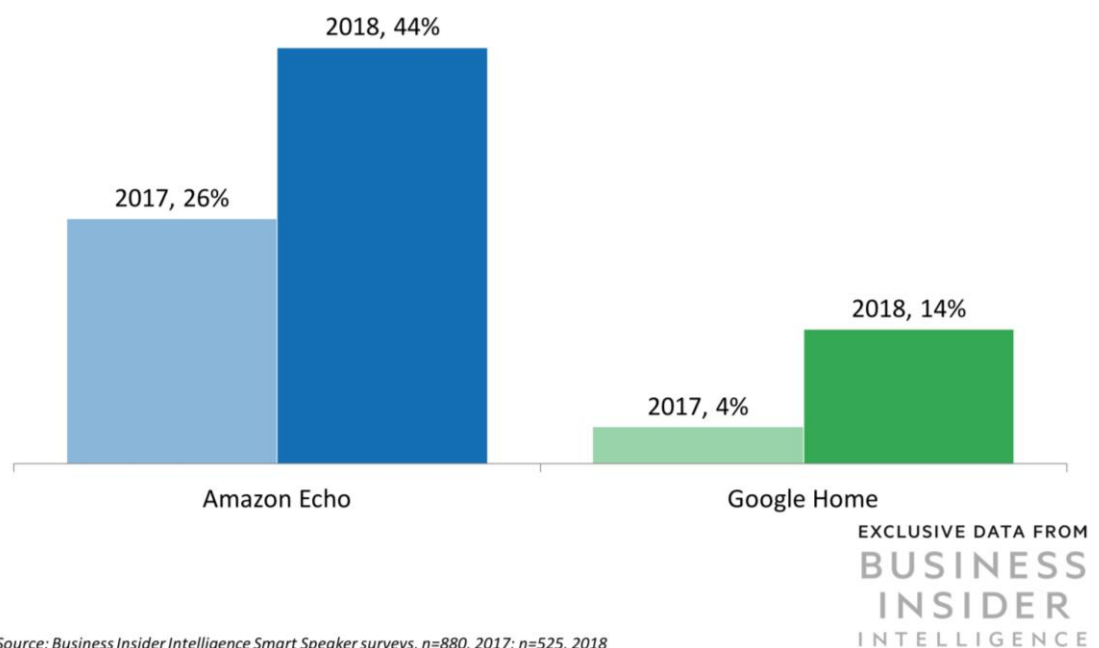
US respondents who own at least one smart speaker



Smart speaker ownership levels have nearly doubled over the last two years, rising from 28% in early 2017 to almost 55% in summer 2018. Some of this growth has come from the introduction of new devices — Google [released](#) the Home Mini in October 2017, its answer to the Echo Dot, while Apple has introduced the HomePod, which first shipped in February 2018, and Amazon has expanded its Echo lineup with more than half a dozen new entries — but much of the expansion of the smart speaker market has been fueled by devices that were available at the time of the first survey, namely the Echo, Echo Dot, and Google Home.

Amazon Continues To Stand At The Top Of The US Smart Speaker Market

Percentage of US respondents who own speakers, by brand



Source: Business Insider Intelligence Smart Speaker surveys, n=880, 2017; n=525, 2018

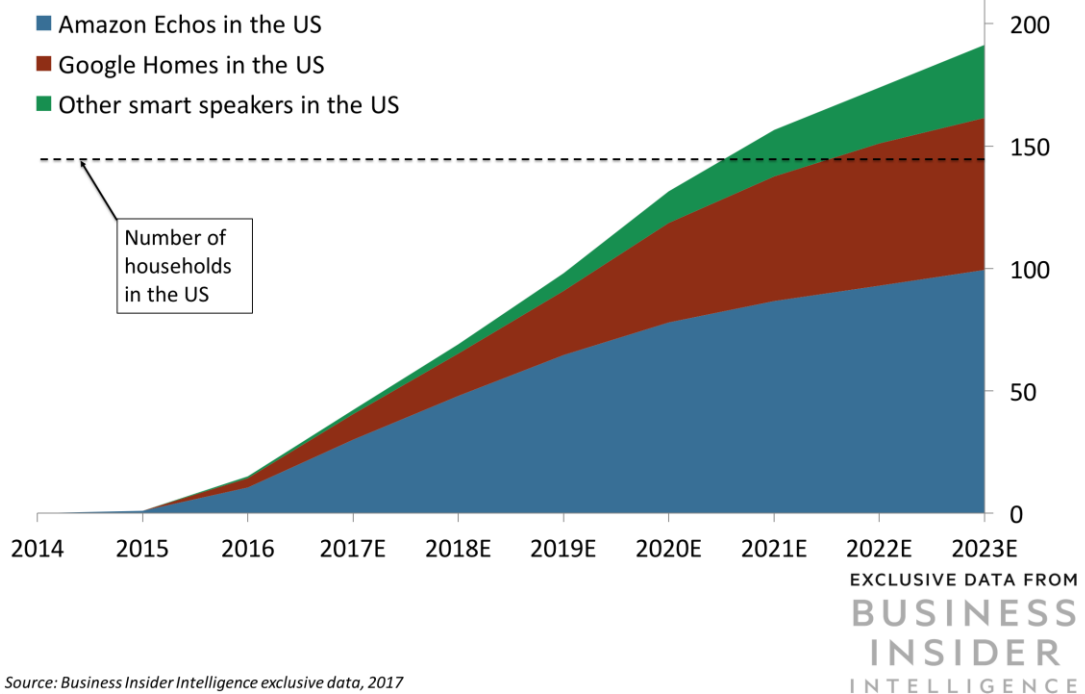
Amazon remains the leader in the market — 44% of those surveyed report owning an Amazon smart speaker, up from 26% in 2017.

Google still stands in second with 14% ownership rates, up from just 4% last year when the device had only been on the market for a few months. Other devices that were not on the market at that point, such as the HomePod, have amassed low ownership levels: just 3% say they own a HomePod today.

These growth figures generally hold with Business Insider Intelligence's forecast of the smart speaker market in the US. We expect that by 2023 there will be nearly 200 million smart speakers in US homes — more than half being Amazon devices, but with Google's devices making up a smaller but steadily increasing share. We also estimate that there will be more than one speaker for each US household as consumers continue to install the devices around their homes to have constant access to their voice assistants.

Smart Speaker Installed Base

US, millions



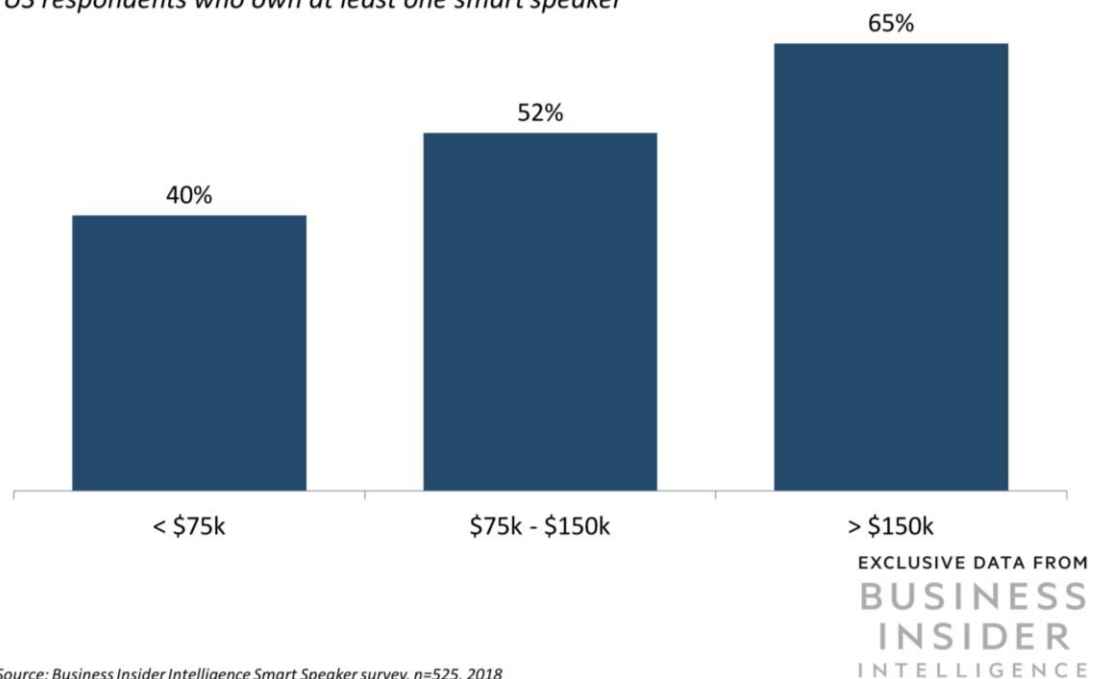
WHO'S BUYING SMART SPEAKERS

Companies that are making smart speakers, selling them, and looking to offer services through them need to know what characterizes current owners and nonowners of the devices. There are a number of key factors that impact whether or not someone owns one of these devices.

Income

Smart Speaker Ownership Rates Go Up As Annual Income Rises

US respondents who own at least one smart speaker



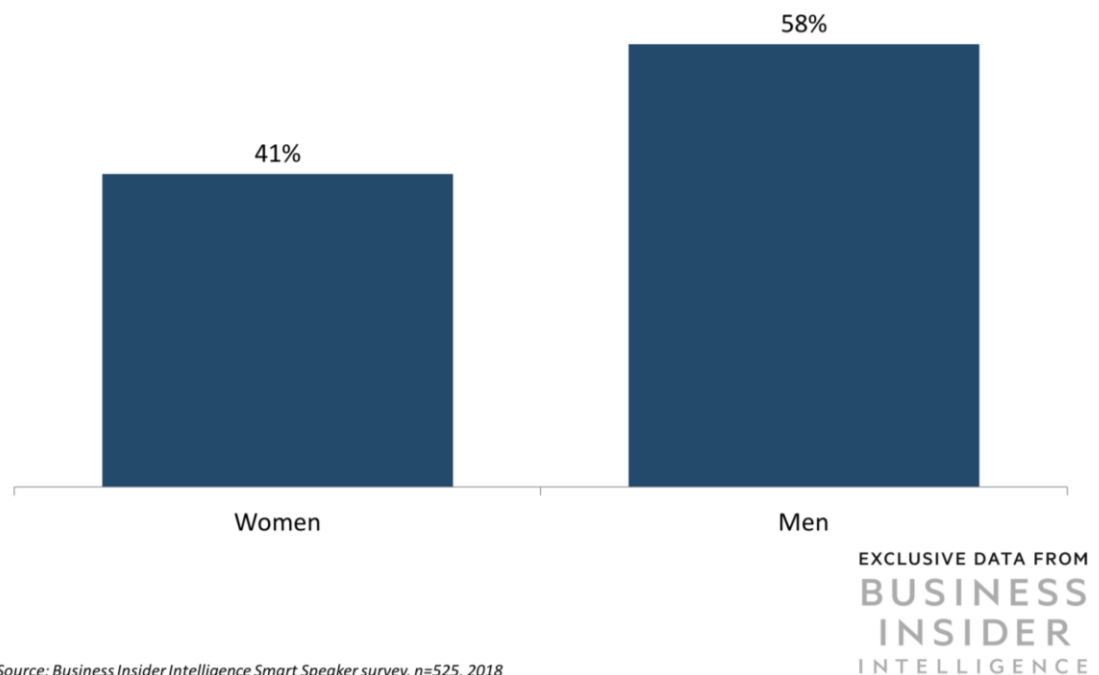
Source: Business Insider Intelligence Smart Speaker survey, n=525, 2018

One key factor where there's a major division between smart speaker owners and nonowners is on the basis of income. Just 40% of consumers we surveyed with annual household incomes under \$75k own smart speakers, compared to 65% of those with incomes over \$150k. These devices are still seen as luxury devices, and those without extensive disposable income are less likely to invest in a smart speaker.

Gender

Men Are More Likely To Own Smart Speakers

US respondents who own at least one smart speaker



Source: Business Insider Intelligence Smart Speaker survey, n=525, 2018

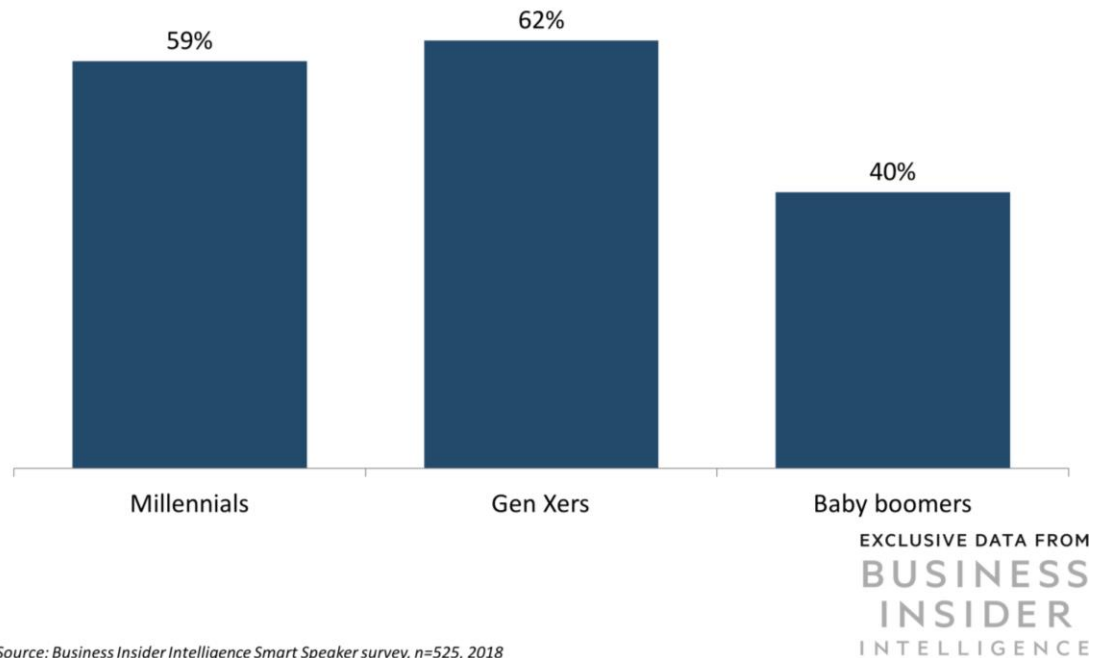
There's a marked difference between ownership rates of smart speakers between men and women, according to survey

data. Despite phrasing our question to ask specifically about households to account for this possible disparity, it's still present, with just 41% of women stating they live in households with smart speakers, compared to 58% of men. This gender disparity can help guide advertising strategies to expose additional consumers to smart speakers, indicating that they should aim, at least at this point in time, to continue converting men into smart speaker users by focusing on male-dominated channels and venues like sports and traditional gaming.

Generation

Millennials And Gen Xers Lead The Way On Smart Speaker Adoption

US respondents who own at least one smart speaker, by generation



Source: Business Insider Intelligence Smart Speaker survey, n=525, 2018

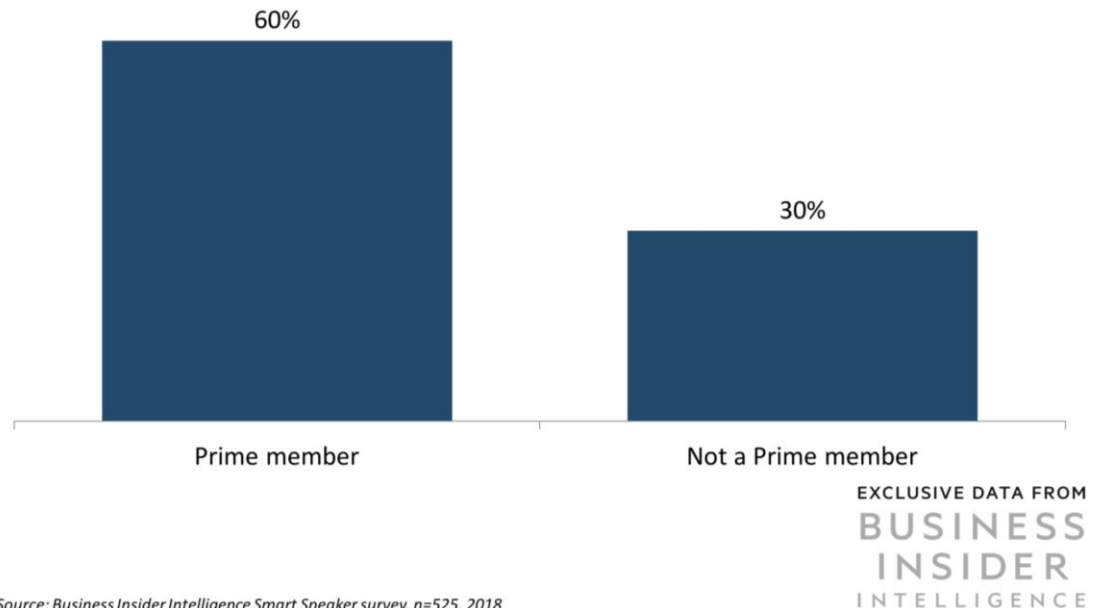
As we found in last year's study, this year's results also show smart speakers are most likely to be owned by millennials and Gen Xers, with baby boomers lagging behind significantly. This aligns with general technological expectations — younger consumers are more likely to adopt newer technology — but Gen Xers are also more likely to be homeowners who will have a place for a smart speaker, as well as the disposable income to spend on the devices. This trend also holds true within the millennial subgroup, with older millennials (aged 30-36) owning smart speakers more than younger ones.

Smart speaker companies and those looking to use the devices as platforms need to concentrate sales and awareness efforts on these generations and should focus on converting those who have not yet purchased devices. Focusing on millennials especially is key, as they'll have the longest time in the future to use such devices, and companies are looking to bring them into their ecosystems in order to build loyalty for long-term customer relationships. Millennials are generally perceived as most open to new technology, but Gen Xers could be an easier target in some ways, since they tend to be more settled, have greater disposable income, and are more likely to own smart home devices that smart speakers can help to control. But companies should also continue to pursue strategies to target younger millennials, such as by making frequent price-cuts and running campaigns that demonstrate the usefulness of smart speakers.

Amazon Prime Members

Amazon Prime Members Are Twice As Likely To Own A Smart Speaker

US respondents who own at least one smart speaker, by Prime membership



Source: Business Insider Intelligence Smart Speaker survey, n=525, 2018

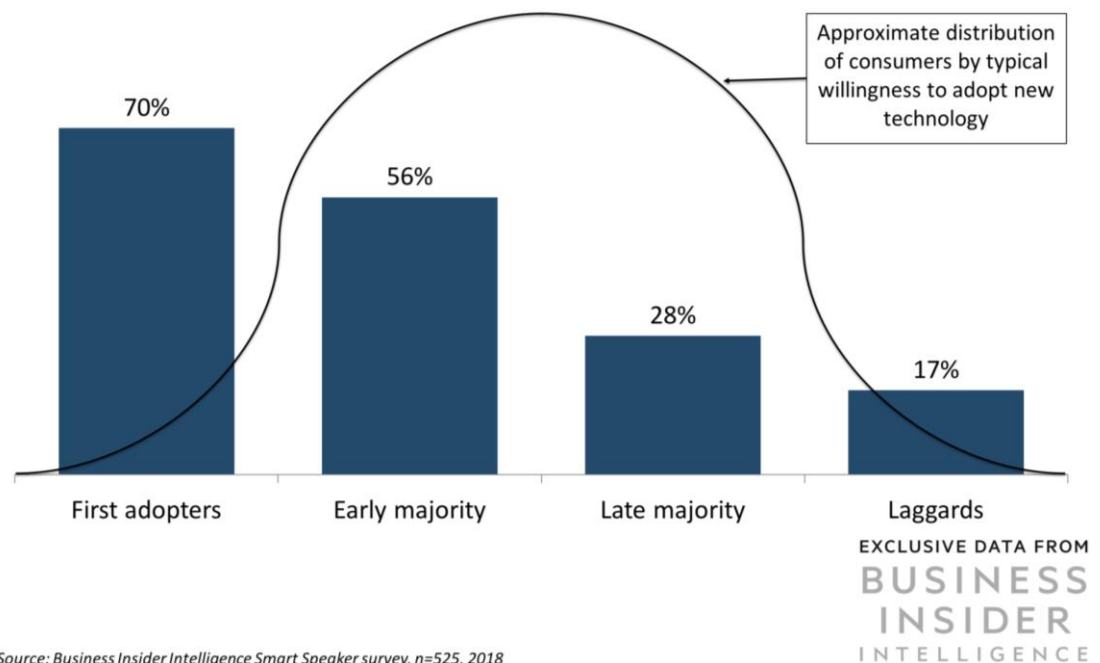
Most Amazon Prime members — 60% of them — are smart speaker owners. Meanwhile, just 30% of those who aren't Prime members own smart speakers. These insights could be of use to a company like Amazon, which both offers the Prime service as well as a smart speaker, as well as for those who can partner with the e-commerce titan to create revenue-sharing agreements in order to foster greater use of services through the smart speaker. Those who own smart speakers are more likely to be forward-looking consumers and are also more likely to rely heavily on the internet, so this is useful information to build a profile of the type of consumer to target.

Early Adopters

The smart speaker is making its way steadily along the adoption curve. More than 70% of self-identified first adopters say they live in households with smart speakers, along with 56% of early majority respondents. Due to the nature of Business Insider readers, these two groups are overrepresented, but looking at the adoption rates of the late majority (28%) and laggards (17%), one can estimate where the smart speaker stands on the adoption curve.

Smart Speakers Still Climbing The Adoption Curve

US respondents who own at least one smart speaker, by adopter status



Source: Business Insider Intelligence Smart Speaker survey, n=525, 2018

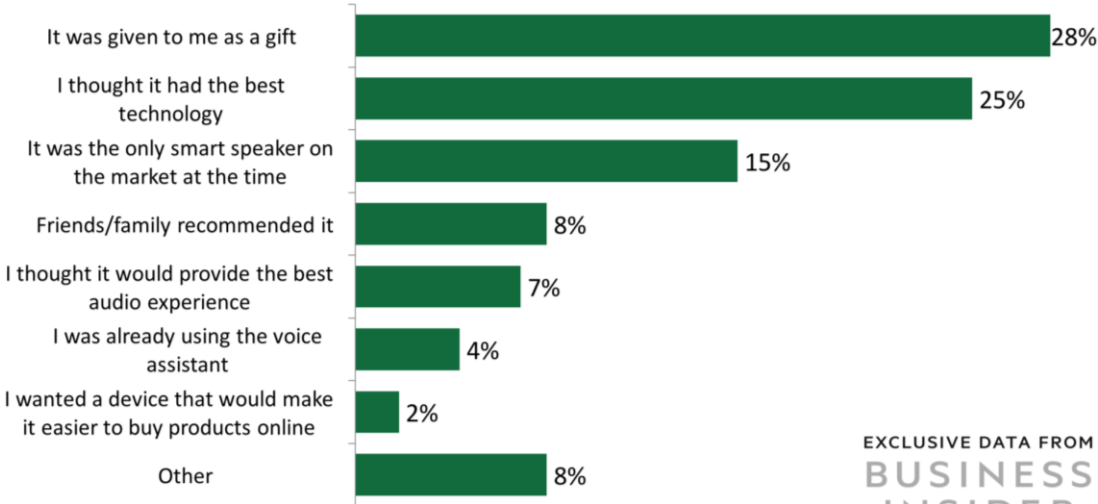
There's still room for smart speaker companies to expand their footholds among more technologically forward-looking consumers — especially the 44% of early majority respondents who haven't yet purchased smart speakers. And as these consumers buy these devices, they'll expose those who are less open to purchasing the smart speaker, which can normalize the devices and bring them further into the mainstream.

Drivers Of Smart Speaker Adoption

Beyond just wanting to try out a new technology, there are a few factors that have led consumers to incorporate smart speakers into their homes.

Gifting Is The Top Means Of Smart Speaker Acquisition

Q: "Thinking back to when you first purchased a smart speaker, what was the most important factor in your decision to choose the particular speaker you bought?" Among US respondents who own at least one



Source: Business Insider Intelligence Smart Speaker survey, n=525, 2018

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*Gift*ing

Many consumers receive smart speakers as gifts from others, rather than purchase the devices on their own. Almost half of those who identify as members of the late majority who do own smart speakers said that they received them as gifts, along with a third of early majority consumers. Amazon and Google both cut the prices of their speakers regularly, and the Echo Dot and Home Mini reach low enough prices that they make cheap gifts. This strategy has been successful in introducing the devices to those who are less likely to adopt new technologies, in turn getting more people to use smart speakers. It's also shown the impact these devices have had on those who have chosen to buy them, with a subset of consumers — likely first adopters — turning from users to evangelizers, spreading use of the devices by gifting them to nonusers.

Perception Of The Technology

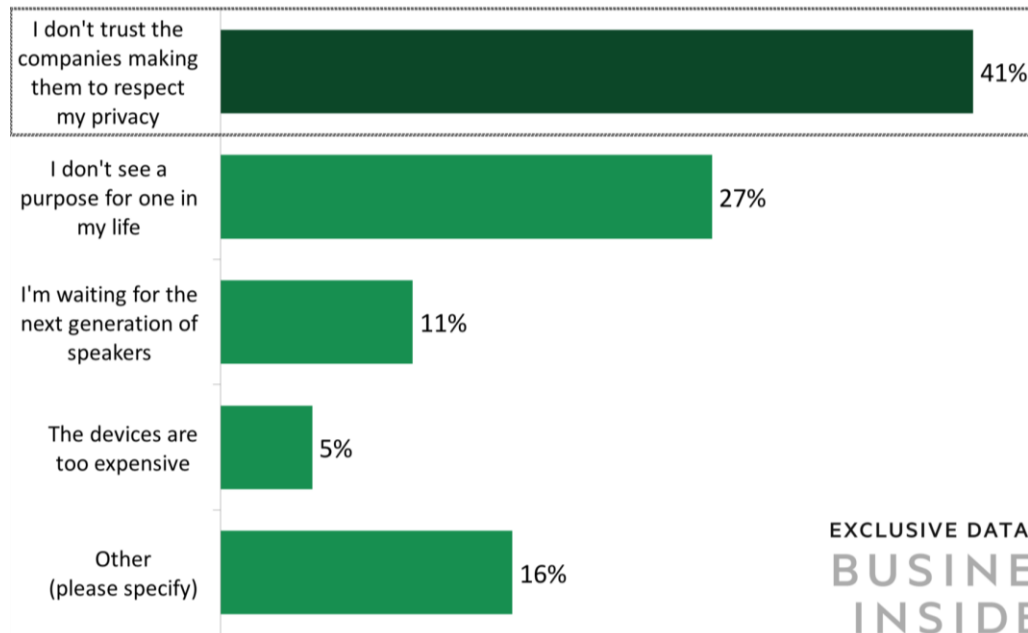
For first adopters, one key factor that impacts their decision to buy a particular device is which company they perceive to have the most capable technology. These consumers have decided that they want to buy a device like a smart speaker, and they make several considerations before they select which one they want. First adopters are generally more engaged and informed buyers, so they will pick what they think is the best option on the market, likely doing more research into the functionality of the voice assistant and what sorts of devices can be controlled within the ecosystem. These are the users who will dive deep into a device's feature page, which means it needs to include a high level of detail on device capabilities. This is also an important factor for those who own a Google Home device — a third of Google Home owners said that their perception of the technology was the biggest factor in their choice of device.

WHAT'S STOPPING PEOPLE FROM BUYING

Though smart speakers are growing more popular, nearly half of respondents don't own the devices — and that's among a tech-savvy panel. The reasons why people don't own devices are just as important as why they've already purchased them and can offer guidance for who to target and how.

Trust Is The Main Barrier To Smart Speaker Adoption

Q: What's the biggest reason you haven't purchased a smart speaker so far?



Source: Business Insider Intelligence Smart Speaker survey, n=237 US consumers who don't own a smart speaker, 2018

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Trust

More than 40% of nonowners said the primary reason they haven't purchased a smart speaker is because they don't trust the companies that make them to respect their privacy. But critically, 56% of those who stated they don't trust smart speaker providers also said they would buy one if a company addressed their concerns. This suggests an openness to the devices that companies can capitalize on if they manage to create an aura of trust around their products. Smart speaker providers will need to consider this sentiment as they attempt to harness consumers beyond the leading edge of the adoption curve. This means taking specific steps to appeal to these skeptical consumers in order to establish trust and assuage privacy concerns.

However, none of the three major US smart speaker vendors make any mention of their privacy or security measures on the product pages for their flagship smart speakers. Instead, they focus extensively on device features like the built-in voice assistant's capabilities and the speaker quality. Adding a privacy angle to their marketing campaigns could help to address the concerns of those who are reluctant to buy, drawing them into the ecosystem. This is a relatively simple tweak but could pay huge dividends in driving broader consumer adoption of the devices.

Lack Of Utility

Twenty-eight percent of consumers surveyed say they're eschewing smart speakers because they don't see a use for them. Surprisingly, this response was most commonly selected by millennials (38%). These individuals are likely using their smartphones frequently, and that device can offer much of the same functionality as a smart speaker. Since a smartphone is with a user most of the time, a smart speaker can be seen as just another device that doesn't have much to offer in addition. As smart speakers become more commonplace, these consumers could see their utility and be converted into users down the line.

Too Early In The Device Lifecycle

Sixteen percent of respondents who said they haven't bought a smart speaker are waiting for set future conditions to buy one. This includes waiting for the release of a new generation of a device or for prices to drop. These users likely won't require much, if any, effort to convert, since they're monitoring the situation and are waiting for specific circumstances before purchasing the device in the future.

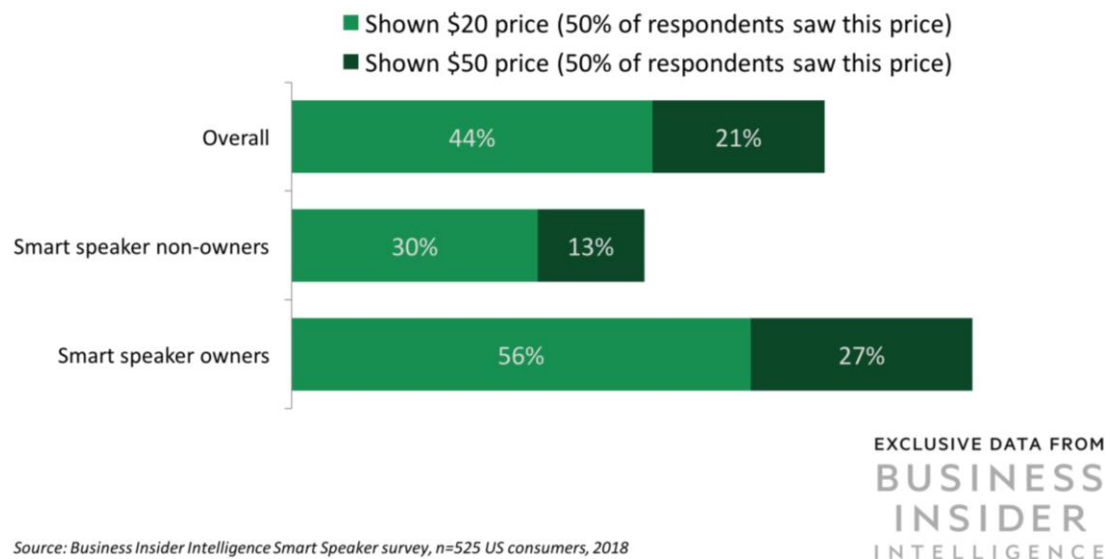
The Role Of Price

Price is a key factor for consumers in deciding whether or not to buy a smart speaker. For a few years now, Amazon and Google have heavily discounted their smart speakers at certain points throughout the year — mainly during the holiday shopping season as well as around Amazon's Prime Day retail event. Sales have been high during these periods, but it can be difficult to separate high device shipments from high overall e-commerce sales volumes.

To gain insight, we conducted a pricing experiment within the Smart Speaker survey, asking half of respondents if they'd buy an entry-level smart speaker for \$20 and half if they'd buy a speaker with the same description for \$50. These price points were chosen because they represent a slightly steeper discount than Amazon and Google typically offer (\$29) and the regular price of the lowest-priced smart speakers they sell (\$50).

Lower Price Has A Major Impact On Potential Sales

Q: "Imagine that you're in a store and you see a basic smart speaker for sale. It's on sale for \$20/\$50. Would you buy the smart speaker?"



- **Overall, price is an important factor, with 44% of respondents saying they'd buy a \$20 speaker compared to just 21% stating they'd purchase a \$50 speaker.** The lower price makes a major difference in buying, as one would expect, but it is significant in that it essentially moves the smart speaker up the tech adoption curve, so that the device's novelty combined with a low price point makes it amenable to most early majority consumers.

- **Consumers are looking to acquire more of these devices after they purchase their first.** Fifty-six percent of current smart speaker owners said they'd buy another device at the \$20 price level, while 27% would purchase another at \$50, outpacing the overall average in both instances. These consumers are already more inclined to want a smart speaker, since they already have one, but this result shows that they're opportunistically looking to add more of these devices to their homes.

Lower sales prices — below the current \$29 basement that Amazon and Google have established — could help to make users more inclined to buy these devices on an impulse. And this could also help to broaden the status of these devices as gifts, another key means by which they expand to new sections of the market. These findings could also portend a difficult future for Apple and Samsung, given the high cost of the HomePod and speculation on the high prices of Samsung's devices — \$300 or above according to reports. Finally, companies selling smart speakers could look to in-person retail opportunities using these lower prices — like Amazon has started at Whole Foods — to capitalize on in-person impulse purchasing.

HOW CONSUMERS ARE USING SMART SPEAKERS

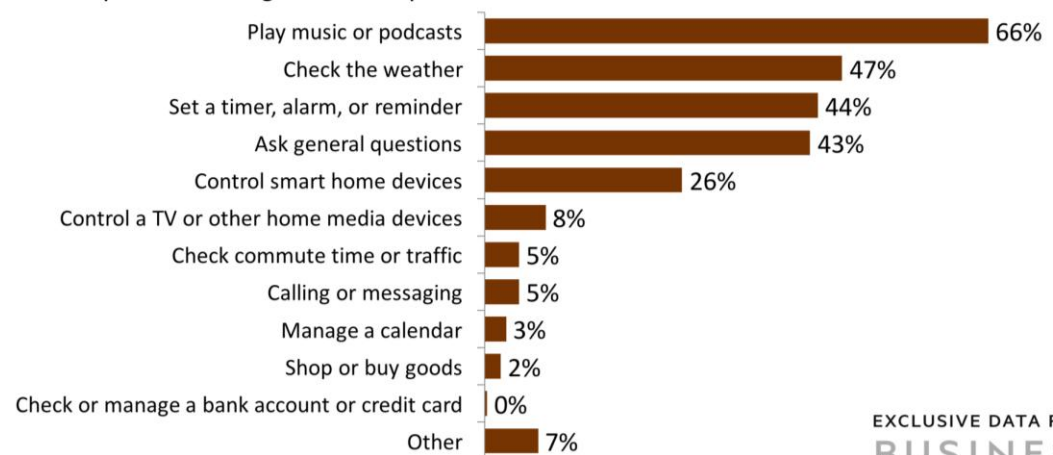
Smart speakers are establishing themselves as an ascendant platform. But what is more relevant to companies across the e-

commerce, smart home, digital media, and payments spaces is what consumers are actually doing with those devices. We asked respondents, both smart speaker owners and nonowners, about their awareness of smart speaker features. We also asked device owners what tasks they've actually performed with their smart speaker and what they do with the device most often. This information can help companies determine how well they're publicizing their smart speaker services and capabilities.

Routine Tasks

Music, Information, And Smart Home Lead Way In Most Common Smart Speaker Tasks

Q: "Which of the following smart speaker features do you use the most?
Select up to 3" Among US smart speaker owners



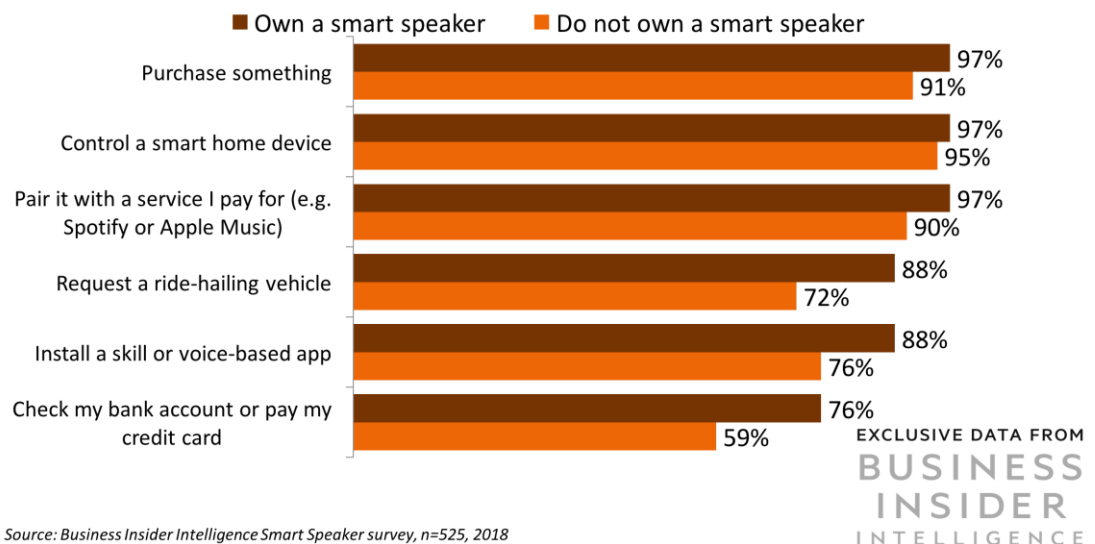
Note: Values do not total to 100% because respondents could choose multiple answers.
Source: Business Insider Intelligence Smart Speaker survey, n=525, 2018

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Overall, many of the most common tasks consumers use smart speakers for are routine tasks such as checking the weather (47%), setting reminders or timers (44%), and performing general searches (43%). These use cases can be classified as ways that the smart speaker is replacing the phone, since it's a more convenient and less intrusive option as it enables hands-free use. But these use cases don't provide a huge opportunity outside of search. Further, most of these types of tasks keep the user firmly within the confines of the smart speaker designer, as these services are provided directly by that company.

Consumers Show High Awareness Of Smart Speaker Features

Q: "Are you aware of the following smart speaker features?"



Source: Business Insider Intelligence Smart Speaker survey, n=525, 2018

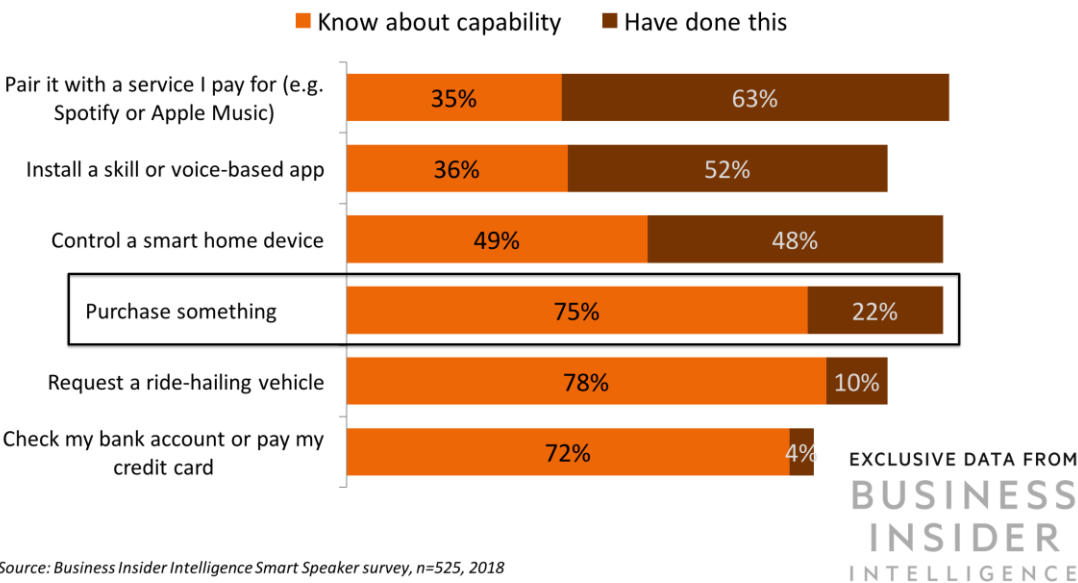
Discovering and setting up new voice apps is a challenge of the voice interface broadly. Most smart speaker owners are aware of device features — 88% know that they can install voice apps on their smart speakers, and the same number are aware that they can request a ride-hailing vehicle. These capabilities are less widely known among nonusers, however, as just 76% are aware that they can install voice apps on the device, and only 72% know they can call for a ride-hailing vehicle. Smart speaker manufacturers and voice app developers need to figure out better ways to communicate these capabilities to consumers, such as through advertising on other platforms or in-app prompts.

One task that smart speaker owners have taken to is controlling smart home devices through the speaker. In total, 48% say that they've done it, and 26% listed this as one of their most common tasks. The smart speaker is a central hub in the smart home, serving as a coordinating device as well as providing a convenient way to control other smart home devices. And smart speaker owners are [far more likely](#) to plan to buy additional smart home devices in the next 12 months. That's why smart home companies are partnering with smart speaker providers like Amazon to build smart home/smart speaker bundles, offering discounts in order to get consumers to buy smart home devices and the vehicle that controls them.

E-Commerce

Smart Speaker Owners Use Them For Music But Eschew Ride-Hailing, Banking By Voice

Q: "Have you completed any of the following tasks on a smart speaker?"
US respondents who own at least one smart speaker



Voice shopping is a high-profile use for the smart speaker, but consumers aren't taking to it in huge numbers. Ninety-seven percent of respondents who own smart speakers know that they can buy goods using the devices and 91% of nonowners also know they can buy products using them. This sky-high awareness could be a consequence of the association of these devices with Amazon, as well as a result of efforts by Google, its top rival in the space, to counter Amazon in voice-shopping efforts.

Beyond awareness of the devices' voice shopping capabilities, 22% percent of smart speaker owners say they've purchased something by voice. However, just 2% say that voice shopping is one of their three most common activities on the smart speaker. Consumers might try out shopping by voice, but most don't partake in this practice often.

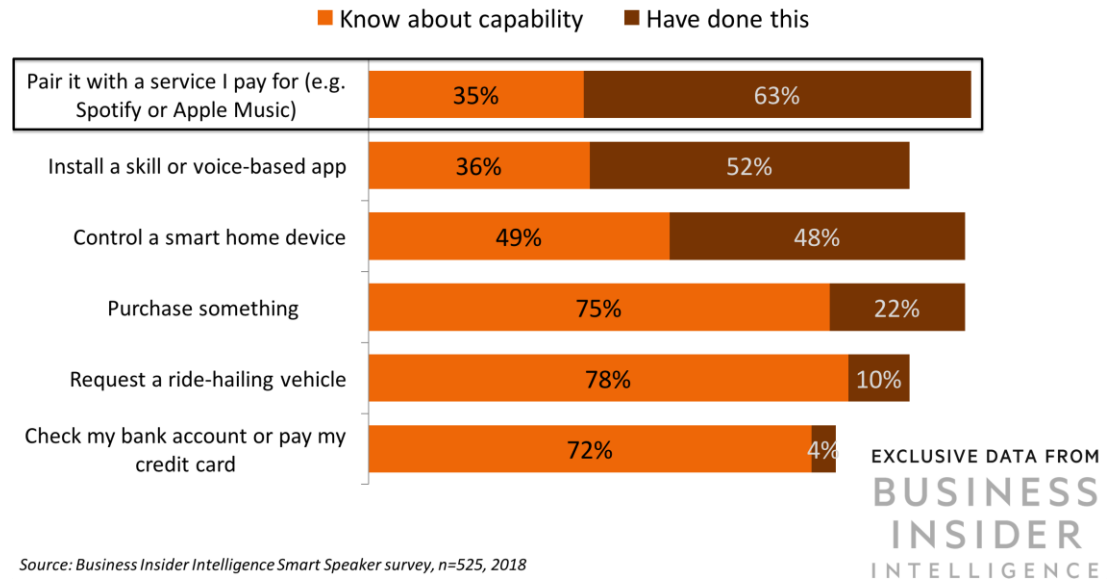
Part of the reluctance to actually make purchases by voice could be due to unfamiliarity with the process. While consumers are aware of their ability to make voice purchases on the smart speaker, the purchasing experience is different than most other e-commerce vectors. There's no ability to review the exact product on most smart speakers and there aren't many ways to view other product options. That's why many of the items [consumers say](#) they're most willing to buy over smart speakers are products that they're likely reordering. And it's also why other services, such as food delivery from vendors like Grubhub, support repeating existing orders through Alexa rather than allowing entirely new orders to be placed via voice.

As screens become more common on smart speakers, voice shopping and purchasing could grow more common in turn. A visual component solves some of the problems associated with voice shopping, but smart speakers with screens are still rare, pricey, and of limited utility since consumers can only use the screen when in close proximity to the device. Alternatively, voice could be used to add products to a cart, which will then be confirmed after review over the visual display. It's critical for e-commerce companies to foster more voice shopping though, since it will allow greater use of paid search prioritization while also enabling easier impulse purchasing.

Media

Smart Speaker Owners Use Them For Music But Eschew Ride-Hailing, Banking By Voice

Q: "Have you completed any of the following tasks on a smart speaker?"
US respondents who own at least one smart speaker



Consumers are highly aware that these devices are media consumption platforms. Ninety-seven percent of respondents who own smart speakers know that they can link media services like Spotify and Pandora to their speakers. Companies in these spaces are doing well in making their capabilities known.

Amazon is in a particularly enviable position, with so many Prime members owning smart speakers already. This strong device penetration among Prime users is helping Amazon build up the digital media segment of its business, which encompasses both music — which smart speakers are [leading](#) consumers to listen to more of — as well as video content.

Here's why penetration among Prime members gives Amazon a competitive advantage:

- **Amazon Music is native on the smart speaker.** To set up a rival service like Spotify or Pandora, consumers need to install a skill through the Alexa app, sign in to the service — and then set that service as the default music player. If they don't know this final step is available, they are sometimes forced to append commands with the name of the service, making queuing up music more of an ordeal. This friction in the content discovery process can push consumers to use Amazon's services on these devices, especially when they're already frequent users of its other services.
- **And as the company combines the functionality of its smart speaker with its video content through devices like the Fire TV Cube, its discovery advantage will only be amplified.** When consumers search for shows or movies to watch, the platform presents them with options and often starts with Amazon's own media offerings, even if a program is available on another service they subscribe to as well. As a result, consumers may be more likely to choose content served through Amazon.

Music streaming leads the pack in actual use, however, with 63% of device owners saying they've paired their speakers with a service.

And beyond just setup, playing music is one of the most common tasks on the smart speaker, with nearly two-thirds of device owners saying it's one of their three most common tasks. Media companies are successfully tailoring services to respond to voice with only minimal issues.

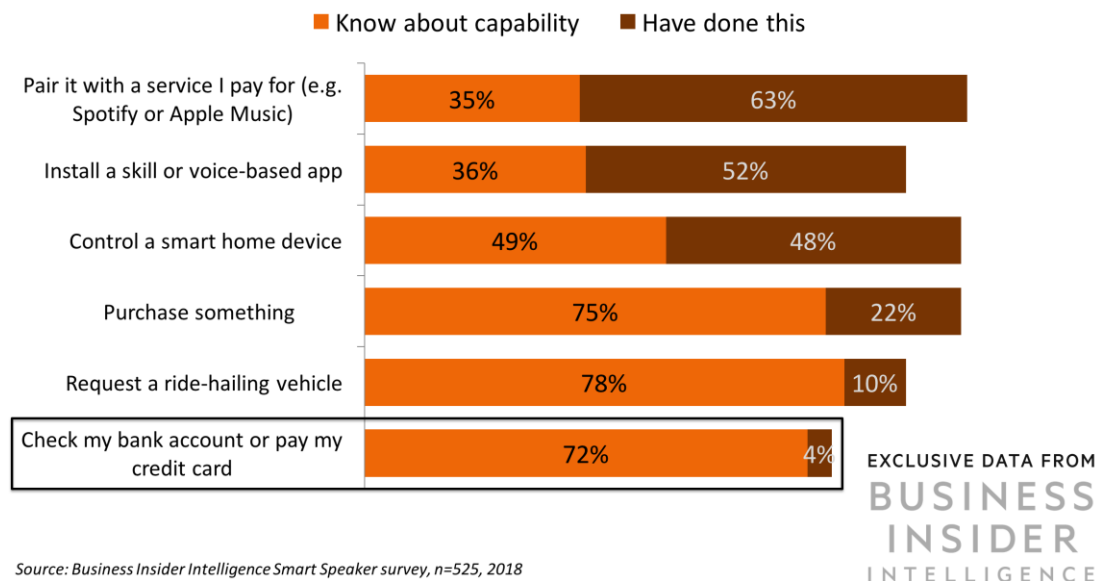
The medium is also tailored to music recommendation algorithms and custom or sponsored playlists, since the consumer doesn't want to interact with the device constantly. This implementation is well done on smart speakers and should help media companies extend the length of their engagement with consumers by expanding to this new platform. As smart speakers continue to integrate with TVs and other screen-equipped devices, there will be further opportunity to expand from music streaming to video streaming, as well as for voice to be used more easily as a remote, much like how Amazon already allows on its Fire TV devices.

Banking

Smart Speaker Owners Use Them For Music But Eschew Ride-Hailing, Banking By Voice

Q: "Have you completed any of the following tasks on a smart speaker?"

US respondents who own at least one smart speaker



Lagging behind other tools in awareness are banking and payments capabilities, such as checking a bank account balance or paying a credit card. Just 76% of smart speaker owners know that they can use their devices for these purposes, and only 59% of nonowners are aware of these features. These use cases are harder for banks to increase awareness around, since there are a large number of banks, each with a limited number of customers — and an even more limited number of customers who own smart speakers.

And the smart speaker's banking and money management features fare even worse when looking at actual usage. Only 4% of respondents who own smart speakers have actually used these capabilities, and less than 1% stated that checking out their banking details was one of the top three tasks they performed.

The smart speaker medium isn't suited for this type of application, and banking firms would likely benefit from ceasing their development efforts for the platform. Security and privacy are top concerns with anything related to finances, but the smart speaker can't always offer that, since queries are replied to by voice so that anyone in a room can hear them. And consumers have already stated they don't trust the companies that make smart speakers to respect their privacy, which makes it even less likely for them to use the devices for financial purposes.

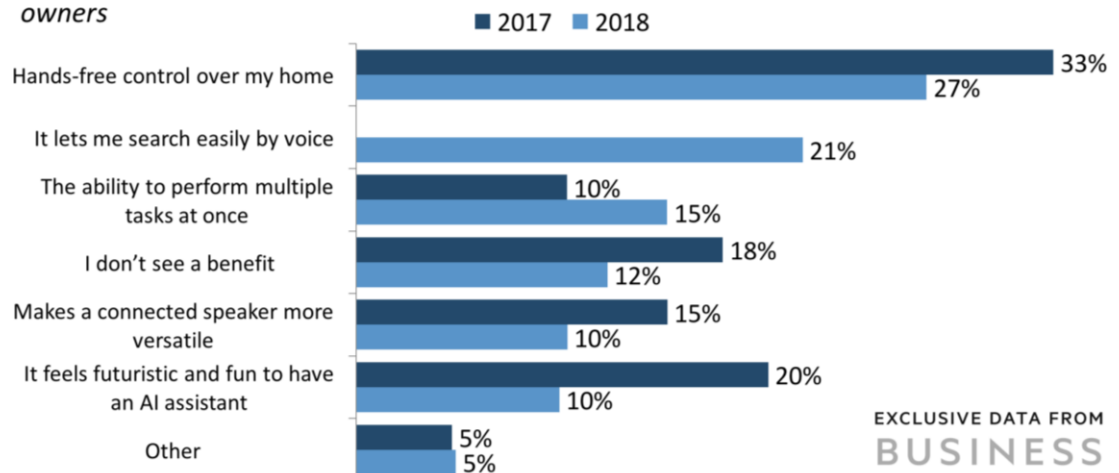
Though some speaker platforms use voice recognition to determine who in a household is talking to the device, these are optional features. And setting up a voice PIN doesn't make sense, as saying it out loud would defeat the purpose. Voice and financial details don't mesh, and companies in the space should retreat rather than devote further resources to the platform.

LESSONS FOR THE FUTURE OF THE SMART SPEAKER

Companies developing voice apps for the smart speaker need to bear in mind the tasks consumers are currently performing and will want to perform in the near term using the device. They also need to build devices that leverage consumers' preferences. One way to gain insight into this is to look at what consumers perceive as the main benefits of the smart speaker.

Hands-Free Nature Of Smart Speakers Remains The Main Benefit To Device Owners

Q: "What do you perceive as the main benefit of a voice assistant like the Amazon Echo's Alexa or the iPhone's Siri?" Among US smart speaker owners



*Note: The option "It lets me search easily by voice" was not included in 2017.
Source: Business Insider Intelligence Smart Speaker survey, n=525, 2018*

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- **In 2017 and 2018, the most cited benefit that respondents saw from having an AI voice assistant was that they could control their homes hands-free.** This points to the potential of the speaker to continue as the hub of the smart home — but also highlights the e-commerce and digital media potential of it, as those are just as central to the overall home as components like lights and security. Other respondents cited the futuristic nature of the voice assistant as well as the ability to perform multiple tasks at once by voice, both of which speak to an openness to new means of accomplishing tasks.
- **Consumers want to use the smart speaker as an auxiliary device that provides a new way of performing tasks in a more convenient manner.** That's why they're embracing the devices for tasks that essentially use them as voice-powered remote controls, such as controlling media or adjusting settings for smart home devices. And they're also open to utilizing the devices for certain tasks that they're already using their smartphones for, such as for purchasing.

Smart speakers are best suited for tasks that anyone within a home can make choices or change settings for. To align with this, Amazon has built support for Alexa into its Fire TV devices for some time now, but has also expanded its line with the Fire TV Cube that combines most of the functionality of an Echo with that of a Fire TV, letting users turn on any device with infrared control solely by voice as well as change volume or select programming. Similarly, Google allows users to easily stream content by voice from speakers to Chromecast devices as well as Android TV devices — it even combined the management apps for its smart speakers and streaming devices in its Home app.

How The Screen Could Change Things

The introduction of the screen to some devices will expand the possibilities for companies developing for the device — but these developers will need to resist the compulsion to use speakers to accomplish too much. The devices are primarily remotes that work best when controlling things around the home or playing audio. They are not primary consumption devices outside of audio, since they're inevitably going to be smaller, stationary screens that will provide a poor facsimile of a tablet experience.

What the introduction of screens could do, though, is expand the e-commerce potential of the smart speaker. A screen could allow users to search by voice and then see a number of options for purchase — all while still giving the opportunity for sponsored promotion of certain products. It would also give the user the chance to use the touchscreen and investigate the product they're considering.

These screen-equipped speakers will also be a useful medium for location-specific video content. If someone has an Echo Show in the kitchen, for example, the device is useful for video recipes. It can also serve short-form video content or user-created stories from social platforms like Facebook, Instagram, and Snapchat. But it won't be a vessel for watching Netflix, Hulu, or OTT content.

And the introduction of the screen won't make the smart speaker a tool for banks, either. The smart speaker won't afford the privacy needed to make consumers confident enough to view or manage their banking or credit card information, since for it to be convenient it needs to be in ready view, which means open to anyone in the area to see.

The Long-Term View

The smart speaker will continue to grow for a number of years to come, but the market won't continue to expand for that much longer.

These types of devices are paving the way for constant voice assistant access in places where consumers frequent. Whether at home, in the car, or at the workplace, they'll be able to speak and give commands to a voice assistant that recognizes who they are and gives them information about their day, their services, purchases, and whatever else they ask about.

This evolution will move the voice assistant beyond the smart speaker and into other devices around the home. Amazon and Samsung have already started moving in this direction, working either on their own or with partners to include always-listening voice assistants in products like lamps, thermostats, refrigerators, and more around the home. As these types of devices proliferate and build out a voice ecosystem, there will likely still be one smart speaker in a home that's akin to Amazon's Echo Plus, which serves as a smart home hub as well as a speaker. While the speaker has been the device that — along with the smartphone — introduced a way to use voice to interact with connected devices, it won't have a long period where it's the primary device that's used to speak to a voice assistant. The smart speaker's growth as a device class will level off, but the changes that it brings with the introduction of voice will transform how people control their homes, make purchases, and control media.

SURVEY METHODOLOGY

The 2018 Smart Speaker survey consists of responses from 525 US consumers from Business Insider Intelligence's proprietary panel. The survey, fielded in July and August 2018, asked respondents what devices they owned, what had led them to or kept them from purchasing devices, what might lead them to buy new or additional smart speakers, what capabilities and features they're aware of, and what they do with their existing smart speakers.

About Business Insider Intelligence's Proprietary Panel

Leveraging Business Insider's reach, with 100 million unique visitors monthly, Business Insider Intelligence's proprietary panel consists of 18,000 individuals, including over 9,000 executives with decision-making power from all over the world. Designed to be a leading-edge indicator of what's next in digital, members of the panel tend to be tech-savvy early adopters at forward-thinking companies. This means that the panel community is an especially sensitive indicator of what's coming next for businesses around the world and what behaviors, devices, and technologies will be the winners in digital disruption.

In addition, our in-depth understanding of who the panel members are and their habits give us great flexibility in targeting different demographics (age groups, including millennials, and income levels), employment (decision-makers at Fortune 500 companies, job level including C-suite executives, and company size), and behavior and ownership groups (including iPhone and Android users to owners of products like smart home devices and smartwatches) — allowing us to find the right group of users and potential users for every digital product, platform, or service.

BOTTOM LINE

- Smart speakers comprise one of the fastest-growing device segments in the consumer technology market today. Ownership levels have nearly doubled over the last two years.
- Despite their growing popularity, nearly half of respondents still don't own a device — which presents a long runway for adoption. Our exclusive survey data reveals a number of key factors that impact whether or not someone owns one of these devices.
- Smart speakers are establishing themselves as a key platform for e-commerce, the smart home, and digital media.
- The introduction of the screen to some smart speakers will expand the possibilities for companies developing for the device — but they will need to resist the compulsion to use speakers to accomplish too much.
- The smart speaker will continue to grow for a number of years to come, but the market won't continue to expand for that much longer. These devices are paving the way for constant voice assistant access beyond the smart speaker and into other devices around the home.

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