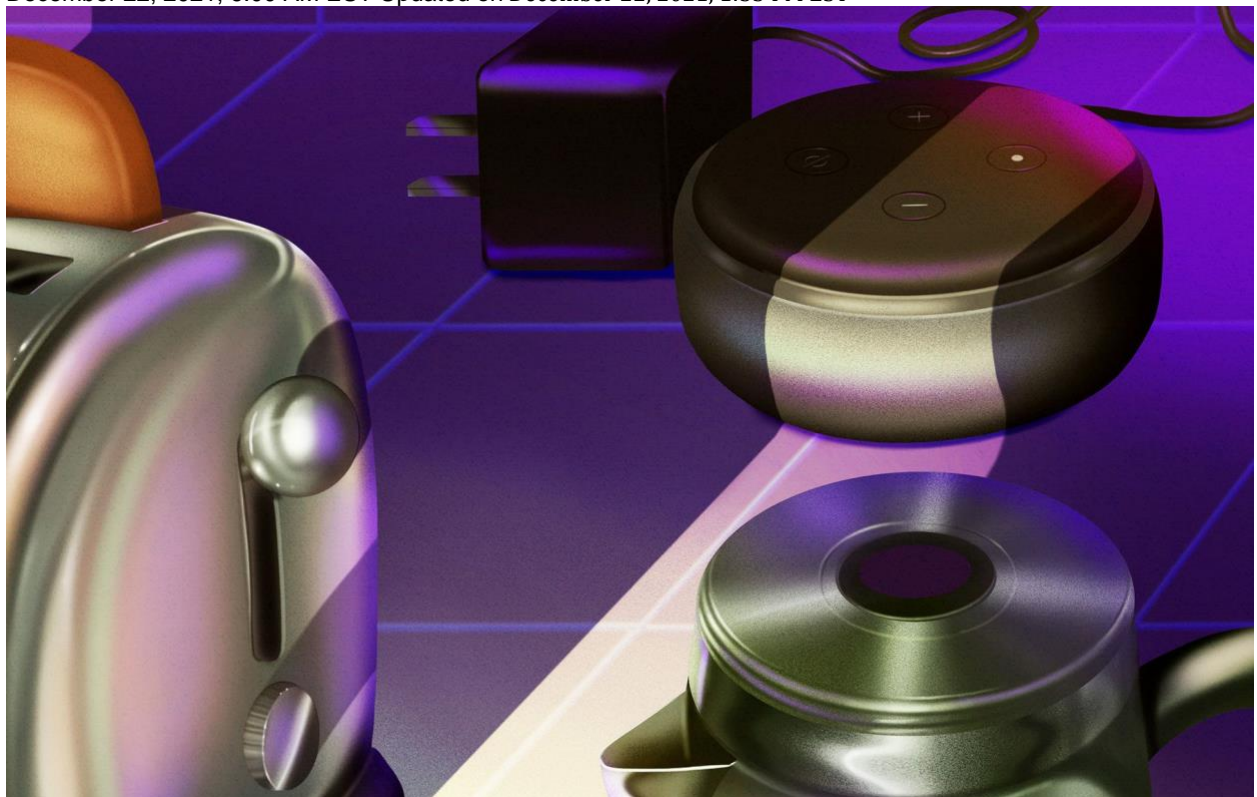


# Amazon's Alexa Stalled With Users as Interest Faded, Documents Show

Internal memos detail the company's efforts to keep customers engaged with its Echo smart speakers.

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Each holiday season since 2015, Amazon.com Inc. has counted on selling a lot of its Alexa voice-controlled smart speakers. For almost as long, it's known that the devices have had trouble holding customers' attention even into January. According to internal data, there have been years when 15% to 25% of new Alexa users were no longer active in their second week with the device.

Concern about user retention and engagement comes up repeatedly in internal planning documents that Bloomberg Businessweek viewed. The documents, which covered 2018 to 2021, detail Amazon's continued ambitions for Alexa, including plans to add more cameras and sensors that would allow devices

to recognize different voices or determine which rooms users are in during each interaction. They also reveal the roadblocks the company sees to realizing these goals. Last year, Amazon’s internal analysis of the smart speaker market determined it had “passed its growth phase” and estimated it would expand only 1.2% annually for the next several years.

Share of users of each Alexa device who use it each week, according to an internal Amazon document



Data: Internal Amazon.com document from 2020

The market for Alexa devices extends beyond just smart speakers, and Amazon disputed many of the metrics cited in the documents, saying they were either outdated or inaccurate. In

an emailed statement, Amazon spokesperson Kinley Pearsall said the company was as optimistic about Alexa as it had ever been. “The assertion that Alexa growth is slowing is not accurate,” she wrote. “The fact is that Alexa continues to grow—we see increases in customer usage, and Alexa is used in more households around the world than ever before.”

Amazon views one of the main barriers as concerns about privacy, sparked by revelations that Amazon workers review snippets of audio to help improve its software along with some high-profile blunders, such as an incident in which a person’s device sent recordings of conversations to a contact after misinterpreting a series of phrases as commands. The other hurdle is an even more basic challenge:

People simply don't find Alexa that useful.

Amazon's first Alexa device, the cylindrical Echo speaker, was a runaway success. Facebook, Apple, Google, and other companies released their own versions, and analysts made enthusiastic projections about voice control prompting a shift in computing akin to the migration from desktop to mobile devices.

Amazon's goal with Alexa was to pull users into a deeper relationship with the company's services, allowing it to profit in various ways. Sales have been significant: Last year Amazon determined that 25% of U.S. households have at least one Alexa device; among Amazon Prime households, it's 27%. But most Alexa users in many years have used voice-powered devices only to play music, or set

the timer while they cook, or turn on the lights. Amazon employees noted in a planning document for 2019 that new Alexa users discover half of the features they will ever use within three hours of activating the device.

“Did they overestimate in the short term? Sure,” says Greg Gottesman, managing director and co-founder of startup studio and investment company Pioneer Square Labs. Still, he’s bullish on Alexa and the voice technology boom it pioneered. Like most technologies, he says, “it takes time to marinate. We’re still early. Five years from now, 10 years from now, people will be using Alexa for much more than those three things.”



Amazon's first Alexa device was a runaway success.  
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Amazon employs more than 10,000 people to work on Alexa, and the documents projected its fixed costs to be \$4.2 billion in 2021. For such a costly division, Alexa's prospects for generating revenue are unclear. In 2018, Amazon projected it would lose \$5 per device in 2021 and said it hoped to improve that to a \$2-per-unit profit in 2028. The company says its goal is to make money

when people use Alexa to access other Amazon services.

Amazon is focused on new ways to get users to interact with Alexa, such as in-home devices with screens, Alexa-enabled headphones, and applications for cars. Amazon also continues to tinker with how Alexa interacts with customers. A document from 2019 said that despite Amazon's efforts to add features to Alexa, there wasn't an overall increase in user engagement.

Amazon has also been using Alexa itself to nudge consumers to use the system in new ways. In recent years the devices have begun suggesting new requests that people could make, in the process of fulfilling whatever function they actually did request. Annoyed customers have struggled to turn off the feature. (There's no easy way to do so, but fiddling with settings can significantly



reduce the unwanted chattiness, according to an [article](#) published on the tech news website CNET in June.) “Almost every day after I ask quick things, I get, ‘By the way, I can recommend birthday gift ideas so you can buy more things from Amazon! Wouldn’t you love to hear that??’” an Alexa user complained in a recent Reddit post. “No, Alexa, the answer has always been no. Just tell me the temperature.” That kind of frustration might explain why some people unplug their speaker and toss it into a closet.

Read next: [Amazon’s Grocery Battle Isn’t Produce, It’s Just-Walk-Out Tech](#)

(Updates with additional comment from Amazon in third paragraph. A previous version corrected an editing error regarding percentage of Alexa users who stop using the service.)

**BOTTOM LINE** - Amazon’s internal analysis of its Alexa business shows high user attrition rates, a slowing smart speaker market, and little in the way of near-term profit.

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