

The Daily: Amazon's TV and voice strategy, and its plans for payment integration

Audio

On today's podcast episode, we take a deeper dive into lesser-known areas of Amazon's business. First, we examine the initiatives at play for the company's TV and voice businesses.

Then, we discuss Amazon's ambitions around “just walk out” and smart payment technology. Tune in to the conversation with our analysts Grace Broadbent, David Morris, and Yory Wurmser.

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Episode Transcript:

Marcus Johnson:

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David Morris:

Even in the short term, I think there could be a ramp of acceptance of this technology, and that it wouldn't necessarily be the consumer and the consumer concerns holding it back. I think it would actually become the Amazon competition rationale.

Marcus Johnson:

Hey, gang. It's Tuesday, August 29th. Yory and listeners, welcome to the Behind Numbers Daily, an eMarketer podcast made possible by Awin. I'm Marcus. Today, I'm joined by one of our principal analysts who covers everything technology. Based out of New Jersey, it's Yory Wurmser.

Yory Wurmser:

Hey, Marcus. How are you?

Marcus Johnson:

Hey, fella. Very good, sir. How are you?

Yory Wurmser:

I'm doing fine.

Marcus Johnson:

You just came back from my vacation, so you must be doing very well. Yory did exactly what I want to do on vacation, and I'm so jealous, so happy for him. So he's got that fresh-faced look about him. Give it an hour and you'll be as disheveled as the rest of us.

So I've got a fact of the day for you, Yory, and it's New Jersey-specific because that's where you are based. So the Atlantic City Boardwalk in New Jersey is not only the world's oldest boardwalk, but also the world's longest. Did you know this?

Yory Wurmser:

I did not know that. No.

Marcus Johnson:

Have you been?

Yory Wurmser:

I have never been to Atlantic City.

Marcus Johnson:

No.

Yory Wurmser:

Yeah.

Marcus Johnson:

Yory. That's probably most people. But it opened in 1870 and has the length of approximately five and a half miles. The first casino in Atlantic City was built in 1978, called the Resorts International. Today, it is called Resorts Atlantic City.

I went once. I don't need to go twice. No offense, Atlantic City. There's just so many places to see.

Yory Wurmser:

Bad memories or?

Marcus Johnson:

I just did it. You know when you've done it?

Yory Wurmser:

Yeah.

Marcus Johnson:

Yeah. I might go back. I might go back.

Yory Wurmser:

Been there, done that.

Marcus Johnson:

Exactly, exactly. There's too much. America's too big. There's too many things to see. That's my excuse. Anyway, today's real topic, the many faces of Amazon.

So in today's episode, in the first half me and Yory will talk about Amazon's TV and voice ambitions. And then in the second half, I'll be checking in on Amazon payment initiatives with Grace and David. But we start with the first half.

And so we're talking about Amazon in this episode, but we're not talking about what we would normally talk about when it comes to Amazon. So Amazon, some of the major parts of Amazon's business are common knowledge at this point. The company dominates online shopping. It's got about 40% share of the market in the US. They've got Amazon Web Services, its cloud offering, AWS. It's incredibly profitable for the company. It actually made over \$5 billion in profit for the company in Q2 alone. They're also the third largest digital ad player in the US behind Google and Meta. But what is lesser discussed is that Amazon also plays in healthcare, gaming, video, e-readers, smart doorbells, et cetera, et cetera.

And so Yory, you were part of the team who put together The Power of Amazon report which we just put out, and about 10 folks, I believe, contributed to that. And you unsurprisingly worked on the technology pieces. And so we're going to talk about that in the first half. We'll start with the voice elements.

You wrote a chapter on voice, writing that voice connectivity sits at a crossroads. Talking about voice, because Amazon has Alexa, which is the voice assistant, and it has Echo smart speaker devices. So that's its play. But Yory, yeah, you're right that voice connectivity sits at a crossroads. How so? How come?

Yory Wurmser:

Yeah. Well, I mean, when we wrote this report in 2021, Alexa was just at the heart of everything that Amazon was doing. It was within the speakers. It was situated within their car systems, within Fire TV. Amazon was moving to build hardware that would support Alexa and serve as a portal to commerce and to the internet. That didn't quite work out the way that Amazon had hoped, in the sense that people just don't use their smart speakers or their voice assistants too much to buy things, and it hasn't really translated into an easy way to make money. So in that sense, it's down from 2021. But something else happened in the the past, in the interim, and that was ChatGPT and generative AI. And that is a really transformative event, I think, for

everyone, including for voice assistants. And it's transformative because voice assistants could be transformed into something a lot more useful, a lot more monetizable, using these more advanced language models.

Marcus Johnson:

Okay. So yes, that was my question before we hit record, which was you know that Amazon needs to move quickly to maintain Alexa as a voice assistant leader. So my question being, will another chatbot device, like a ChatGPT, overtake Amazon's Alexa in terms of usage? But so for the audience and for myself again, can we compare the two? Is Amazon's Alexa the same as ChatGPT?

Yory Wurmser:

Well, they're not the same, but they're related to each other. So Alexa is an assistant. It is a bot that is voice generated. ChatGPT's text, but it could be translated into voice by using other languages. So a large language model would power a voice assistant. So they're both powered by large language models, but they have slightly different purposes.

Marcus Johnson:

Okay. Got it. And so what happens in a couple of years? Is it going to be the case that ChatGPT is the most used voice assistant or chatbot that we use? Is it going to be that Amazon's able to partner with somebody else and take Alexa to the next level? Because I know that the voice assistant race, 85 million people use Google Assistant. 81 million folks, just fewer, use Apple Siri. 74 million people, in America this is, use Amazon Alexa. Those numbers are all growing a little bit going forwards. ChatGPT, over a hundred million users was the headline that it managed to get in just five days. So what does a voice look like in terms of these different players in the next year or two?

Yory Wurmser:

Well, I mean, right now ChatGPT is not a voice player since it is text-based. But we're going to see a huge evolution into this area in the next couple of years. Every one of these companies is looking at using much more advanced language models than they currently use to make voice a lot more useful.

So right now, voice, people who use Alexa or Siri, talk to their speakers. They're mostly using it to have it do functions. Turn on the lights. Set my playlist. Maybe if they're under a mobile

phone for Siri or Google Assistant, they'll ask it for directions to a nearby place. It's used for very simple tasks.

Marcus Johnson:

Set a timer, something like that.

Yory Wurmser:

Yeah. But what happens when you get these really advanced language models you can really speak with? What are the possibilities that open up then is it's pretty exciting and still to be determined.

Marcus Johnson:

Do we know when voice is coming to ChatGPT?

Yory Wurmser:

I mean, OpenAI has a voice program.

Marcus Johnson:

Right.

Yory Wurmser:

Which I'm sure they could pair with ChatGPT. So I think it's just a matter of time before something like that happens.

Marcus Johnson:

Okay, so that is the next evolution. That is something that they're probably most likely going to do. Okay.

Yory Wurmser:

Yeah, for sure. But to be clear, I think Alexa's big competition is still going to be Google Assistant and Siri. And particularly Google Assistant, I think, because Google has such a presence in cars, also on TVs. Amazon has long dominated the smart speaker, the home speaker realm, but Google is really strong in these other areas, and I think that's where you're

going to see the explosion of use in voice assistants and of course in Android phones and on iPhones for Siri.

Marcus Johnson:

Okay. The explosion of use is going to be in what exactly? Sorry.

Yory Wurmser:

Well, just more advanced use cases for these voice assistants, where you can really interact with them in a way not just to turn on things, but to ask them serious questions and get serious answers.

Marcus Johnson:

Okay. And so final question before we move to the TV portion of this conversation. I mean, in a year's time, what am I speaking to these voice assistants about? What kind of killer apps or use cases do you see being most prevalent?

Yory Wurmser:

Amazon's original vision for Alexa might finally be possible, in the sense that people will use it for product search for things they want. Tell me what's the highest rank downhill ski for icy conditions. Really complicated questions and give you really specific answers. If you played around with ChatGPT, you're going to get funky answers right now.

Marcus Johnson:

Yes.

Yory Wurmser:

But all of these large language models will develop in the next couple of years, and you're going to get really precise answers. And so I think that's going to be a killer app, and then there are other types of things that we can't even imagine now.

Marcus Johnson:

Yeah.

Yory Wurmser:

Automated advice apps. Who knows what else?

Marcus Johnson:

Do you imagine voice being paired with a visual component though? Because I always think that one of the things that's holding back voice is the fact that if I ask a question, I want to see some kind of visual with regards to the results. And so smart speakers that came with a screen, like the Echo Show, that always made more sense to me, especially if I'm in the living room and I'm speaking to my TV, which happens to be a smart speaker, let's pretend, and has a voice component. And I can say, "Where is the nearest coffee shop?" Or I can say, "Pull up some of the latest microphone options for podcasting," and I can see the different options and then a way, basically, to navigate through your results.

Yory Wurmser:

For sure. I think it's that combination of voice and visual that will make it a lot more powerful in a lot of ways, and something that's going to supercharge it that is TV.

Marcus Johnson:

Yep.

Yory Wurmser:

Once you start connecting voice to the TV... Or not once. It's already connected. But once you really start supercharging it, then it could really have a lot of possibilities there.

Marcus Johnson:

So let's round out the first half by talking about the TV, because you write the section in the report on Fire TV, which is Amazon's connected TV play. What are two stats to you, Yory, that underscore Fire TV's significance?

Yory Wurmser:

So yeah, I mean, I think there are two things that show how important it is. First of all, 109.6 million. I mean, that's the number of people in the US that use a Fire TV. Now, when I say use a Fire TV, that's a TV that has become a connected TV either through a Fire TV stick or cube or a directly built-in system that is using the Fire TV operating system. So 109.6 million people in the US have a system using Fire TV, so that's just a huge percentage there.

Marcus Johnson:

I mean, Roku's going to be their biggest competitor there. Behind Roku? Just ahead?

Yory Wurmser:

It is actually behind Roku. That's right.

Marcus Johnson:

Just behind?

Yory Wurmser:

It's second place behind Roku.

Marcus Johnson:

Okay.

Yory Wurmser:

In the US. And then the second number is 21%, and that's 21% of CTV ads in the second half of 2022 ran via Fire TV. Again, that's second behind Roku at 49%. So Amazon is still trailing Roku in the CTV area, but I think it's a huge area of growth not just for Amazon, but for advertising in general.

Marcus Johnson:

Right. And that's the US. You were noting in your report that the picture across the pond in Europe advertising-wise is quite different.

Yory Wurmser:

That's right. Yeah, in Europe, Fire TV's share of advertising is even higher than in the US at 34%, and it leads there.

Marcus Johnson:

Oh, wow.

Yory Wurmser:

So what they've done in Europe, they want to replicate in the US. They're already the leader in Europe.

Marcus Johnson:

Yeah. Terrific. Well, that's all we've got time for, for talking about Amazon's voice and TV-related initiatives. We're going to talk in the second half about what they're up to in payments. Yory, thank you so much for taking some time to hang out with me and the listeners today.

Yory Wurmser:

Always a pleasure, Marcus.

Marcus Johnson:

Yes, sir. Well, that was the first half of the show. Now, we begin the second half of the show, and we're talking to two different folks. One of them is one of our senior analysts covering payments. Based out of New York, it's Grace Broadbent, ladies and gentlemen.

Grace Broadbent:

Hello there.

Marcus Johnson:

Hello there, Grace. Welcome to the show. We're also joined by principal analyst covering payments and demographics. Based out of Illinois, it's David Morris.

David Morris:

Hello, hello. Good to see you, Marcus.

Marcus Johnson:

Hello, sir. You too. Grace didn't say that, but we'll [inaudible].

Grace Broadbent:

It is wonderful to see you, Marcus.

Marcus Johnson:

No, no, no, no, no, no, no, no. It's too late for that. That's fine. She's just thinking, "Let's get this over with, Marcus, please."

So I do a fact of the day at the top of the show, but I have facts for you guys as well. Because Yory is based in New Jersey, I had a New Jersey-related facts. And so I have facts related to... Well actually, now I'm just realizing, Grace, yours isn't based on where you are based. It is based on where you are from, which is Georgia.

Grace Broadbent:

Okay.

Marcus Johnson:

So-

Grace Broadbent:

Let's do it.

Marcus Johnson:

Why Georgia is called the Peach State. So this has got some history here. So Franciscan monks introduced peaches to St. Simon's and Cumberland Island in the 16th century, and then Cherokee Native Americans grew peaches in Georgia in the 18th century. And then because Georgia produces peaches and has some good ones, they're also known as the Peach State. However, they're not the biggest producer of peaches. They used to be. Oh, you knew this. Oh.

Grace Broadbent:

South Carolina.

Marcus Johnson:

Is second. Who's first?

Grace Broadbent:

South Carolina's first.

Marcus Johnson:

No, it's not.

Grace Broadbent:

Georgia's second.

Marcus Johnson:

Wait, is it? I've got California.

Grace Broadbent:

Oh, maybe.

David Morris:

Hmm. Interesting

Marcus Johnson:

What do you mean maybe?

Grace Broadbent:

I don't know. I've always-

Marcus Johnson:

Discredit my fact of the day and you're kind of sure?

Grace Broadbent:

I went to college in South Carolina, and everyone in South Carolina is very proud of their peaches.

Marcus Johnson:

Oh, so you... Okay, this is biased.

Grace Broadbent:

Even more so in Georgia.

Marcus Johnson:

Okay. Of course they're going to say... Well, they're not. Maybe they were at some point, but today it's California. Yeah, they produce-

Grace Broadbent:

Interesting.

Marcus Johnson:

... 19 times as many as Georgia.

David Morris:

Wow.

Grace Broadbent:

[inaudible].

Marcus Johnson:

Yep. So that's Georgia. David, your turn.

So I thought to myself, "Well, David's based in Illinois. What's produced in Illinois?" David, do you know something that is quite unique to the state of Illinois, that it's the number one producer of this thing in the country?

David Morris:

Do I know it?

Marcus Johnson:

I'll give you a hint. October 31st.

David Morris:

Halloween candy. Oh, candy. Chocolate?

Marcus Johnson:

No, that's a good guess though. Sorry, that was a bad hint. Pumpkins. Illinois is the largest producer of pumpkins in the country, harvesting more than twice as many pumpkin acres as any of the other top states.

David Morris:

That's fascinating. Wow.

Marcus Johnson:

Yeah. You only get the good stuff here on... It's the best I could find, okay? Illinois and Georgia.

David Morris:

Yeah. I mean, thought it would be candy. I mean, Chicago used to be the candy capital of the world. It's not anymore, but-

Marcus Johnson:

Really?

Grace Broadbent:

[inaudible].

David Morris:

Oh yeah, yeah.

Marcus Johnson:

Okay.

David Morris:

Tons of candy companies here. They're out of business or they've been bought up.

Marcus Johnson:

Okay. Popcorn too, right? It's the popcorn capital of somewhere?

David Morris:

I mean honestly, I never know anything that's going on locally. I didn't know the Cubs were any good the year they won the World Series until they were in the pennant.

Marcus Johnson:

God.

David Morris:

I live here. So.

Marcus Johnson:

You're the worst Chicagoan.

David Morris:

I know payments, Marcus. That's what I do. Payments. You know?

Marcus Johnson:

Well, luckily we're talking about that today. So let's get into it. We're talking about Amazon and everything payments related.

So as we mentioned, Amazon does a lot of stuff. They do some online shopping things. They do some cloud service things. They do some advertising, healthcare, gaming, and we just talked about what they do with voice and TV. And now, we've got David and Grace on to talk to us about payments. What are they up to?

Well, one of the things that they've been doing is working on the Just Walk Out technology. That's where you go into a store, an Amazon Go store for example, and you pick stuff up off the shelves and you walk out, and it charges your credit card because you've scanned in when you walked through a door. And so Grace, you writing this chapter for us. You write that Amazon is cutting back, though, on its ambitious goals for Just Walk Out technology. This including closing some of its cashierless stores. It seemed like quite a big push into this when it first got off the ground. How come? Why this step back?

Grace Broadbent:

Yes. So they are stepping back from their first-party stores, so the cashierless Go stores, the Amazon Fresh stores, integrating into Whole Foods. It's extremely expensive technology and very hard to scale. So instead of that, they're pivoting to licensing the technology to third-party retailers. So instead of building it out internally, they're building it out through third parties.

Marcus Johnson:

So are third parties going to... If it's expensive and it's hard to scale, is this just because Amazon doesn't have a massive grocery footprint? Is that the reason? Because if Amazon can't afford it, then I'm surprised that this is a technology that others will be able to rent from them.

Grace Broadbent:

So they are going to very niche, smaller use cases. So instead of the giant grocery stores, some of the examples are stores on college campuses or little convenience stores and airports, or even theme park concessions, which sounds large as a theme park, but just little food stands and things of that nature.

David Morris:

I mean, it's really fascinating, Grace. I mean, that they've really pushed back on this, and I think the licensing play is actually interesting. I think they've housed that through AWS, so they're even putting it under an entirely different framework. And I think that there's may make more sense to place the technology underneath what they do with Amazon Web Services. I don't know that that's going to necessarily solve the problem of uptake either, but I think it's a way for them to be able to continue to try and utilize this technology to get information. This isn't just about convenience for customers. It's about getting information about them. So I know they're going to continue to try.

Marcus Johnson:

Yeah. So speaking of continuing to try, to wrap up talking about Just Walk Out technology, you know that Amazon's closed nine of its cashierless Go stores, so there are about 20 left. The tech is still used in 40 Fresh stores, two Whole Food stores. Are they going to wind down using this technology across their portfolio of stores completely at some point? Are they going to stick it out with these few stores? Do you see them ramping it up in the future? What's the play in terms of using this technology for themselves?

Grace Broadbent:

Right now, the path isn't clear. But based on what they're doing, it seems like they are scaling back everything and going to fully ramp it down for their internal stores. They have... Yeah, a lot of those closures have just happened in the past year. And while they haven't announced

any future plans, they definitely aren't expanding it. And I don't think it'd be out of the question to close these other stores.

Marcus Johnson:

Mm-hmm. Okay. Because yeah, to David's point, they are losing a lot of potential data about customers by not rolling this technology out across a ton of stores themselves. However, they are finding alternative ways to offer folks the chance to pay for things.

So one of them is Amazon One. So this is where you pay for things by waving your palm over a reader. And it's growing, but you know it's still small-scale. So Amazon One is available, you say, at roughly 400 locations across the US. The tech isn't necessarily driving significant sales though. You were pointing out that the average location featuring Amazon One has seen it used only seven and a half thousand times. So Grace, what's holding Amazon One back?

Grace Broadbent:

I think there's two main things. The first is consumer adoption and security concerns preventing consumers from the adoption. There was a recent survey from CivicScience [inaudible] very interesting. It says 73% of US adults are not at all comfortable with Amazon's biometric payments in 2023. So that's the vast majority of people are not comfortable with it, and this is only slightly improving. It was at 78% in 2019 that were uncomfortable. So while it's declining, it's declining at a very small rate.

Marcus Johnson:

And so that's interesting because that research, you pair that against... There's some research from Payments and Intersect that were asking consumers their preferred select authentication method, do you prefer to authenticate who you are with a PIN code, a multifactor, a password, a one-time password, biometrics, and biometrics was actually far and away the thing that most people preferred. Now, it's probably because if you've got your smartphone, you can just press your thumb or your finger onto your smartphone and it unlocks it for you, or it reads your face and so it's much more personal in terms of using your biometrics as opposed to waving your hand around or something out in public reading your face. But that surprised me that folks weren't comfortable using it out in the wild, but were comfortable using biometrics to pay for things when it came to accessing their own smartphone.

David Morris:

I think that's a great point. I mean, I think that there's some education on the part of consumers. It's probably in process with a technology like this. And long term, I mean even in the short term, I think there could be a ramp of acceptance of this technology and that it wouldn't, necessarily be the consumer and the consumer concerns holding it back. I think it would actually become the Amazon competition rationale. I don't know. What do you think, Grace?

Grace Broadbent:

Well, I also think there's almost a lack of trust in Amazon that's also holding it back. Amazon has a reputation of being the big bad retailer that has all our data and taking over the world. And so I do think there's hesitancy in giving Amazon additional data into us. Whether that is the case, whether that should be the case, I mean Apple has a ton of data on us as well. So I don't know if that's a rational case, but I do think that is inhibiting customers.

Marcus Johnson:

So if you had to guess, folks, real quick before we move to another section here is, do you think that people paying for things with their hands or with their faces out in grocery stores is going to be a thing we're going to see? And it's the Amazon brand that's maybe holding it back, or is this just something that people aren't too bothered about doing and they're happy to pull their phone out and just use Apple Pay, Android Pay, Google Pay, Samsung Pay?

Grace Broadbent:

I think it can take off. I just think it's going to take longer than Amazon or other biometric providers would like it to take off at. For example, it took a really long time for mobile wallet usage to pick up, just paying with their phones. It really took the pandemic to spark widespread usage. And hopefully, we'll have something else other than another pandemic to spur this. But I do think eventually, when people start getting more used to it, when it's everywhere, when people realize it's the same as just opening your phone with your face, I do think it can take off. I just don't think it's going to be as quick as Amazon wants it to be.

Marcus Johnson:

Yeah. David, let's move to another area of Amazon's payment strategy, which is Amazon Pay. Let's start by explaining what that means.

David Morris:

Sure. Well, Amazon Pay is... I think the way to explain Amazon Pay is to actually explain a competitor that people would be more likely to know, and that's PayPal. The PayPal buy button, it's ubiquitous. It's all over the internet. Anywhere you go, there's a checkout option and it's PayPal. Amazon Pay has that same offering. It has had that same offering for some time, but it's been held back from an adoption standpoint because I think piggybacking on some of what Grace said, I mean Amazon is the big bad wolf of retail. And why would another retail want to partner with Amazon on something like this? That's thematic, I think, throughout all of the technologies that we're talking about today.

Marcus Johnson:

Right. And it's interesting, though, because you write that... I mean, you're spot on. Why would you want to partner with the giant in your same space? But you write that the Amazon Pay solution is gaining steam via partnership. So what's changed, and how is this looking going forward?

David Morris:

I think what has changed... I think the general competitive onus on not partnering with Amazon has not necessarily changed. But what has is you have Amazon being able to create this third-party marketplace of sellers, right?

Marcus Johnson:

Mm-hmm.

David Morris:

And those sellers are smaller to mid-size businesses. They don't have the same dog in the hunt when it comes to competing with Amazon. They use Amazon to sell, and that's why you've got an uptick in adoption among those sellers. And the more recent partnership that I think is really interesting is the one that they've done with BigCommerce.

Now, people may not know BigCommerce because they're a little smaller than a company that they may know, and that's Shopify. They're very similar in many ways. And the bottom line is that these companies are also serving those small to midsize businesses. And guess what? BigCommerce, if it wants to adopt something like Amazon Pay and allow its customers to use

it, it ends up being able to better compete with Shopify which has Shop Pay, another checkout button. It's kind of follow Whac-A-Mole, follow the checkout buttons, Marcus.

Marcus Johnson:

Yeah. Interesting. Yeah. Well, that's all we've got time for, unfortunately, with regards to Amazon and what they're up to in every possible space imaginable. Our full report is called The Power of Amazon in 2023: What's Next for the Titan's 19 Business Divisions, with contributions in that report from 10 different analysts, three of whom we spoke to today. Thank you so much to my guests. Thank you to David for hanging out today.

David Morris:

Yeah. Great to see you. Grace, always a pleasure.

Marcus Johnson:

Thank you to Grace.

Grace Broadbent:

Yes, thank you. It's been wonderful.

Marcus Johnson:

Yes, indeed. Thank you to Yory, who joined us in the first half. Thank you to all the analysts who contributed to the report we were talking about today. Thanks to Victoria who edits the show, James who copy edits it, and Stuart who runs the team. And thank you guys so much for listening in to the Behind the Numbers Daily, an eMarketer podcast made possible by Awin. You can tune in tomorrow to hang out with host Sarah Libo on the Reimagining Retail show, where she speaks to analysts Sky Canaves and Carina Perkins all about the toy market.