

Amazon's \$10B Alexa gamble and a shift toward simplification

Article

The news: Amazon's hardware failures have taken their toll as the company navigates a \$10 billion loss from Alexa devices and smart speakers.

The hardware pivot unravels: David Limp, Amazon's senior vice president of devices and services, will be leaving the company by year's end, indicating a change in strategy is at hand.

- Limp, who has been with the company since 2010, oversaw the launch of major Amazon projects like the **Echo** smart speakers, the Alexa voice assistant, **Fire** tablets and TV devices, and the **Amazon Appstore**.
- Despite massive adoption, with over **68 million US Echo speaker users in 2023**, Amazon's hardware has failed to meet income-generating expectations.
- Most Alexa users do not make purchases through the devices.
- Amazon also went on a pre-pandemic hardware shopping spree, amassing IoT brands like **Eero**, **Ring**, and **Blink**, ostensibly to form a connected home ecosystem.
- Along with **laying off more than 18,000 employees in multiple rounds of cuts**, a markedly larger number than previously planned, it also consolidated the devices team that oversees smart assistants and smart home.

What's next: Expect Amazon to continue restructuring its hardware business, possibly focusing on popular **Kindle e-readers and Fire tablets**, while simplifying its smart home and IoT lines.

It will likely reduce aspirational projects like delivery drones and the Amazon **Astro** robot, which was announced in 2021 but is still in a **\$1,600** invite-only preview.

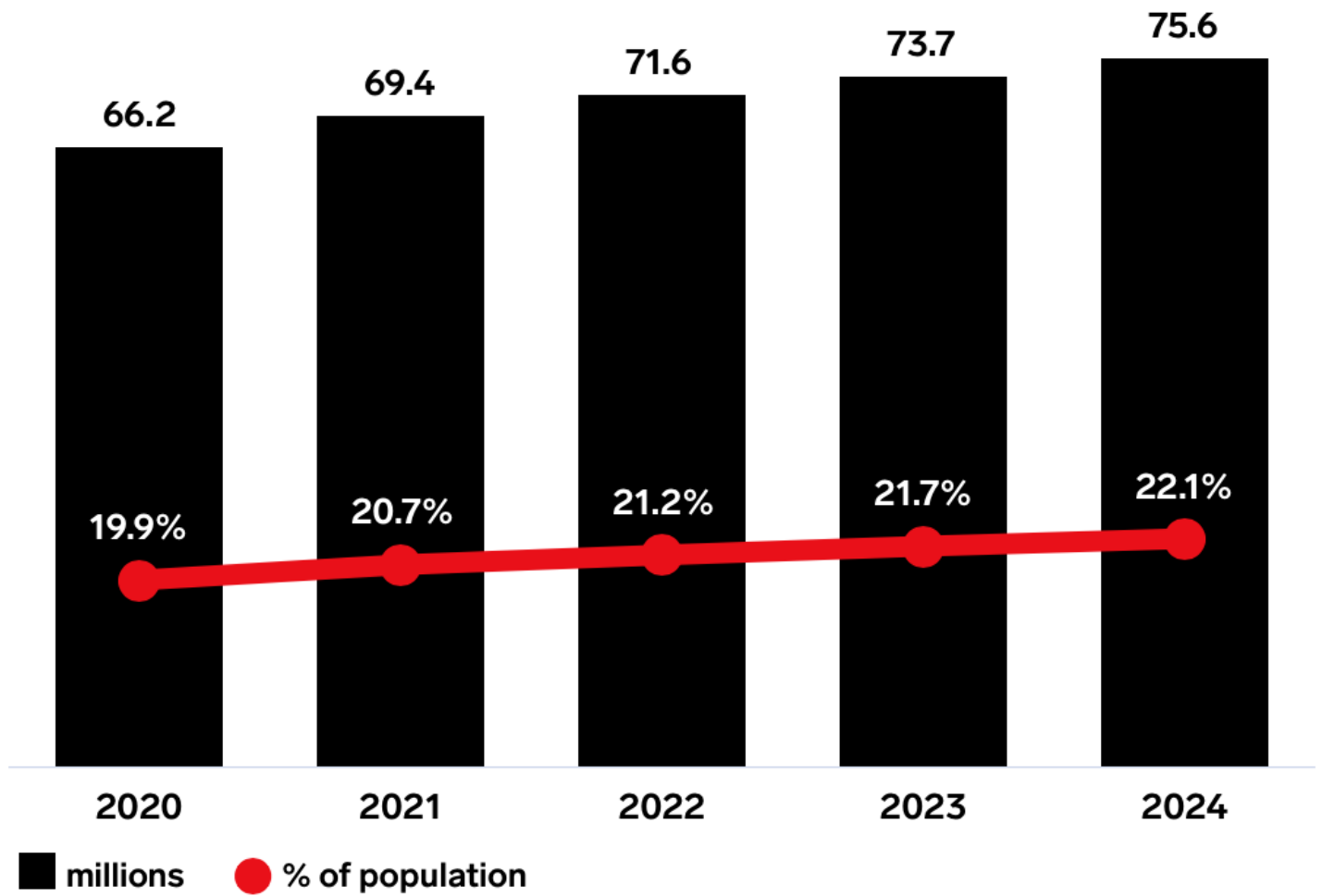
Trendspotting: Amazon isn't the only Big Tech company reeling from failed hardware plays.

- **Microsoft** canceled its **Cortana** smart speaker and discontinued its **Surface Duo** foldable phone. The company bowed out of the retail store business in 2020 and took a **\$450 million** hit.
- **Google's** own hardware pivot is tenuous. While its **Pixel** smartphone sales are rising, its **Pixel Fold** dual-screen phone seems to be plagued with issues.

Our take: Big Tech might ease off on consumer electronics, focusing instead on profit centers that run through software, apps, and online subscription platforms.

Amazon Alexa Users

US, 2020-2024



Note: individuals of any age who use voice assistants at least once a month on any device

Source: Insider Intelligence | eMarketer, July 2022

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