

SUBSCRIBE

SIGN IN

WOULD YOU PAY A MONTHLY FEE FOR VOICE COMMANDS? —

Amazon Alexa is a “colossal failure,” on pace to lose \$10 billion this year

Layoffs reportedly hit the Alexa team hard as the company's biggest money loser.

RON AMADEO - 11/21/2022, 7:32 PM

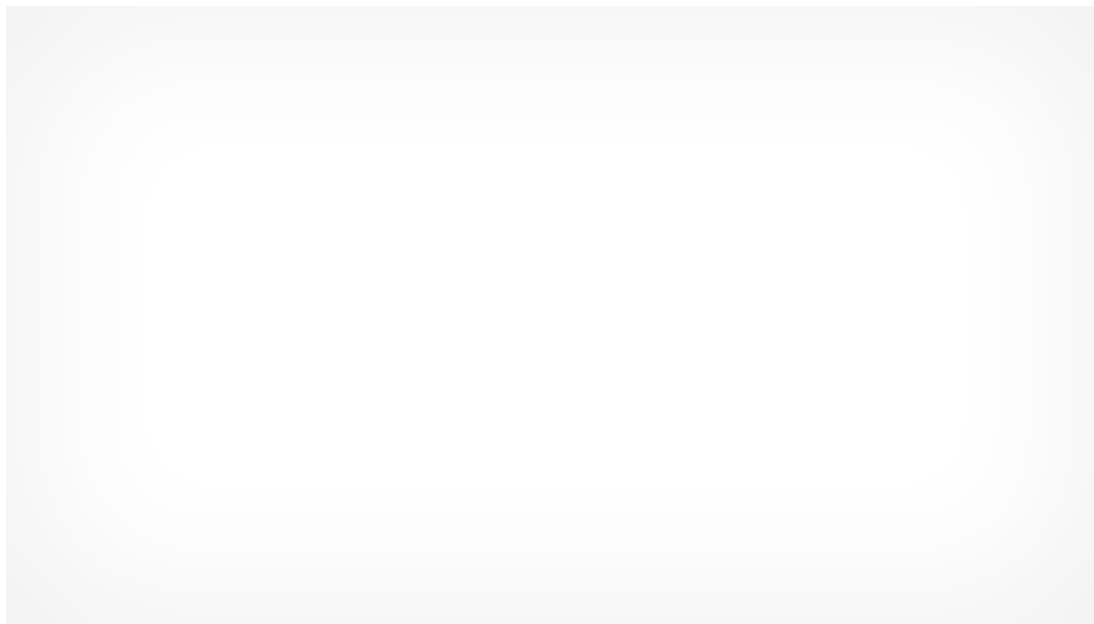


Enlarge / The fourth-generation Echo device is a cloth-covered sphere with a halo at the base, contrasting with the squat plastic cylinders of earlier-generation Echoes.

Amazon is going through the biggest layoffs in the company's history right now, with a plan to eliminate some **10,000 jobs**. One of the areas hit hardest is the Amazon Alexa voice assistant unit, which is apparently

falling out of favor at the e-commerce giant. That's according to a report from [Business Insider](#), which details "the swift downfall of the voice assistant and Amazon's larger hardware division."

Alexa has been around for 10 years and has been a trailblazing voice assistant that was copied quite a bit by Google and Apple. Alexa never managed to create an ongoing revenue stream, though, so Alexa doesn't really make any money. The Alexa division is part of the "Worldwide Digital" group along with Amazon Prime video, and Business Insider says that division lost \$3 billion in just the first quarter of 2022, with "the vast majority" of the losses blamed on Alexa. That is apparently double the losses of any other division, and the report says the hardware team is on pace to lose \$10 billion this year. It sounds like Amazon is tired of burning through all that cash.



A division in crisis

The BI report spoke with "a dozen current and former employees on the company's hardware team," who described "a division in crisis." Just about every plan to monetize Alexa has failed, with one former employee calling Alexa "a colossal failure of imagination," and "a wasted opportunity." This month's layoffs are the end result of years of trying to turn things around. Alexa was given a huge runway at the company, back when it was reportedly the "pet project" of former CEO Jeff Bezos. An all-hands crisis meeting took place in 2019 to try to turn the monetization problem around, but that was fruitless. By late 2019, Alexa saw a hiring freeze, and Bezos started to lose interest in the project around 2020. Of course, Amazon now has an entirely new CEO, Andy Jassy, who apparently isn't as interested in protecting Alexa.

The report says that while Alexa's Echo line is among the "best-selling items on Amazon, most of the devices sold at cost." One internal document described the business model by saying, "We want to make money when people use our devices, not when they buy our devices."

That plan never really materialized, though. It's not like Alexa plays ad breaks after you use it, so the hope was that people would buy things on Amazon via their voice. Not many people want to trust an AI with spending their money or buying an item without seeing a picture or reading reviews. The report says that by year four of the Alexa experiment, "Alexa was getting a billion interactions a week, but most of those conversations were trivial commands to play music or ask about the weather." Those questions aren't monetizable.

Amazon also tried to partner with companies for Alexa skills, so a voice command could buy a Domino's pizza or call an Uber, and Amazon could get a kickback. The report says: "By 2020, the team stopped posting sales targets because of the lack of use." The team also tried to paint Alexa as a halo product with users who are more likely to spend at Amazon, even if they aren't shopping by voice, but studies of that theory found that the "financial contribution" of those users "often fell short of expectations."

In a [public note](#) to employees, Jassy said the company still has "conviction in pursuing" Alexa, but that's after making huge cuts to the Alexa team. One employee told Business Insider that currently, "There's no clear directive for devices" in the future, and that since the hardware isn't profitable, there's no clear incentive to keep iterating on popular products. That lack of direction led to the internally controversial [\\$1,000 Astro robot](#), which is basically an Amazon Alexa on wheels. Business Insider's tracking now puts Alexa in third place in the US voice-assistant wars, with the Google Assistant at 81.5 million users, Apple's Siri at 77.6 million, and Alexa at 71.6 million.

Advertisement

Are all voice assistants doomed?

We have to wonder: Is time running out for Big Tech voice assistants? Everyone seems to be struggling with them. Google expressed [basically identical problems](#) with the Google Assistant business model last month. There's an inability to monetize the simple voice commands most consumers actually want to make, and all

of Google's attempts to monetize assistants with [display ads](#) and company partnerships haven't worked. With the product sucking up server time and being a big money loser, Google responded just like Amazon by cutting resources to the division.

While Google and Amazon hurt each other with an at-cost pricing war, Apple's smart speaker plans focused more on the bottom line. The original HomePod's \$350 price was a lot more expensive than the competition, but that was probably a more sustainable business model. Apple's model [didn't land with consumers](#), though, and the OG HomePod was killed in 2021. There's still a \$99 "mini" version floating around, and Apple isn't giving up on the idea of a big speaker, with [a comeback](#) supposedly in the works. Siri can at least be a loss leader for iPhone sales, but Apple is also [hunting around](#) for more continual revenue from ads.

READER COMMENTS 427

SHARE THIS STORY

RON AMADEO

Ron is the Reviews Editor at Ars Technica, where he specializes in Android OS and Google products. He is always on the hunt for a new gadget and loves to rip things apart to see how they work.

EMAIL ron@arstechnica.com // **TWITTER** [@RonAmadeo](https://twitter.com/RonAmadeo)

Advertisement



SITREP: F-16 replacement search a signal of F-35 fail?



Sitrep: Boeing 707

Our bad! It looks like we're experiencing playback issues.

▶ REFRESH



Steve Burke of GamersNexus Reacts To Their Top 1000 Comments On YouTube

[+ More videos](#)

[← PREVIOUS STORY](#)

[NEXT STORY →](#)

Related Stories

Today on Ars

[STORE](#)
[SUBSCRIBE](#)
[ABOUT US](#)
[RSS FEEDS](#)
[VIEW MOBILE SITE](#)

[CONTACT US](#)
[STAFF](#)
[ADVERTISE WITH US](#)
[REPRINTS](#)

NEWSLETTER SIGNUP

Join the Ars Orbital Transmission mailing list to get weekly updates delivered to your inbox.

[SIGN ME UP →](#)

CNMN Collection
WIRED Media Group

© 2022 Condé Nast. All rights reserved. Use of and/or registration on any portion of this site constitutes acceptance of our User Agreement (updated 1/1/20) and Privacy Policy and Cookie Statement (updated 1/1/20) and Ars Technica Addendum (effective 8/21/2018). Ars may earn compensation on sales from links on this site. Read our affiliate link policy.

[Your California Privacy Rights](#) | [Cookies Settings](#)

The material on this site may not be reproduced, distributed, transmitted, cached or otherwise used, except with the prior written permission of Condé Nast.

[Ad Choices](#)