

Finding Their Voice:

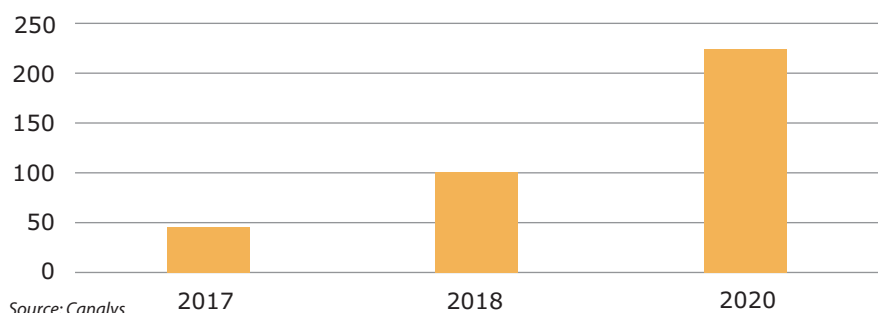
How brands can navigate the fast-evolving area of voice commerce

Abstract

Talking versus typing? It seems like an obvious choice if given the option. Asking questions and engaging in conversation is our natural way of communicating. Therefore it's no wonder that the voice enabled home assistant or smart speaker market is growing so fast. Recent forecasts have the global install base for smart speakers to reach 100 million by the end of 2018, growing to over 225 million by 2020.¹

As a result, **voice commerce** is positioned to emerge as the next disruptive digital channel in retail after online and mobile. Though still in its very early stages, initial data around voice commerce is highlighting both opportunities and challenges for retailers. What is it that these companies need to focus on now to put themselves in a position to capitalize on this new channel?

Growth of smart speaker install base expected to grow to 225 Million units by 2020



Source: Canalys

Figure 1 Growth of Smart Speaker Install Base

Evolution to Voice Commerce

The ability to make voice commands on our smart phones was introduced through the Google voice search app for mobile in 2008 and followed by the launch of Apple's Siri in 2011. Ever since, we have been using our voices to perform certain tasks. Early use cases were things such as asking for directions or placing calls. That quickly evolved in to using voice commands for sending texts and emails, as well as performing basic searches. All this was powered by voice recognition software that turned our verbal commands in to text in order to carry out the necessary actions.

With advancements in AI technologies and the development of intelligent bots retailers began to implement messaging chat bots that allowed customers to engage conversationally with them. These chat bots provided a new type of customer interaction and proved to be successful tools for customer service inquiries as well as some basic product discovery and recommendations.

The natural progression was for these messaging bots to become voice enabled, driving the rise in voice bots we are seeing today. The most popular of these voice bots are being called 'Skills' or 'Actions' by leading producers of voice assistants and home smart speakers.

Market Opportunity and Retail's Reaction

The level of convenience that voice commerce can provide and the conversational nature it enables makes this type of shopping attractive to audiences of all demographics. Though most attention around voice commerce has focused on smart speakers or smart assistants, it is not surprising that the majority of voice commerce today actually happens over our smartphones. A report by Voicebot.AI finds that over 50% of voice commerce today takes place on smartphones.²

Smartphones are just significantly more embedded in our lives and the ownership numbers are massive. The percentages are likely to shift however, as the number of smart speakers in the market increases and consumer adoption of those ramps up.

Some forecasts for sales generated through voice commerce have the new channel reaching as high as \$40 Billion annually by 2022 in the US.³ These numbers are being derived from the adoption rates of smart speakers and the consumer sentiment that is indicating a desire to use these devices for shopping. Given this, retailers understand that this is an area in which they must have a presence.

First-mover retailers have entered the space through relationships with the smart speaker or assistant manufactures.

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Retailers need to establish a presence in the smart speaker landscape in order to avoid becoming secondary brands to the devices themselves.

They have built 'skills' or 'actions' on the relevant platforms to allow customers to request information or purchase products from their website catalogs. Much of this early retail activity has been driven more by marketing and branding initiatives than by revenue targets. Though proving a ROI on these early investments will be difficult, retailers understand the need to penetrate the smart speaker landscape in order to establish their brand in the consumer's mind when using these devices. If they don't, retail brands will risk being an afterthought in the shopping experience and the device itself will become the main brand the consumer engages with.

Early Voice Shopper Insights

Conventional wisdom tells us that the retail segments which should favor early adoption of voice commerce are ones where re-ordering or replenishment of common items occurs. So it makes sense that grocery has been a top category in initial research findings.⁴

However, data shows that consumers are looking to use their voice to shop for a broad array of categories. According to a survey from The Harris Poll on behalf of Digitas shows that in the US the top retail categories in which people are receptive to purchase using a voice assistant are: Personal Care/Wellness; Beauty Supplies; Small Home Appliances; Clothing and Accessories, and Technology or Consumer Electronics.⁴

This desire to shop using voice across categories is an exciting revelation for the potential of voice commerce in retail. However, retailers and brands have more challenges than grocery or CPG companies in the areas of browsing and product discovery. Interpreting customer intent and delivering relevant voice shopping journeys requires significant experience design by retail teams and will take time to perfect.

In the near term, we can expect that it will be visual integrations that will allow retailers to capitalize on the rise of voice technologies, by providing integrated shopping journeys combining screen and voice. According to a study from Wunderman Commerce, a high majority of shoppers (89%) would still prefer to see a product on a screen before buying.⁵ For retail voice commerce to gain wider adoption, a visual component will need to be added to the experience. This need is not going un-noticed by the device manufacturers, as we are already seeing moves in this direction with more screen integration options coming to the market.

A high majority of shoppers would still prefer to see a product on a screen before buying. For retail voice commerce to gain wider adoption there will need to be a visual component.

It does not make sense for retailers to rely on the device manufacturers for the success of their own voice commerce efforts and completely entrust the voice shopping experience to the technology and algorithms of these third parties.

Successful companies will be the ones that use the data captured from voice interactions to better understand and engage their customers

Key Focus Areas for Retailers

Maintaining brand identity

Currently, the emerging smart speaker or assistant market is being dominated by just a few players. It is those manufacturers who are building consumer awareness around voice-shopping, not retailers. Therefore it is imperative for retailers to differentiate, create ways to personalize the voice shopping experience and focus on how to use voice interactions to build and maintain one-to-one relationships with their customers. This includes building out the voice-enabled shopping capabilities within their own apps, something that has yet to emerge as a focus today.

Voice search

The way people search using their voice is much different than typed keywords. To address the longer form nature of these searches retailers need to re-visit and optimize their search capabilities. Current strategies around SEO and search analytics need to be adjusted as voice search starts to dominate the market. However, to gain trust and maintain credibility with the customer, search results need to be relevant and comprehensible in a voice-driven environment.

Capture the data

There is valuable data to be gained through voice queries with regard to customer needs and preferences which can be used by retailers to gain insights on customer expectations. This data can then be fed into analytical platforms and AI tools to drive better engagement strategies. Retailers must take advantage of this incredible opportunity.

Defining a strategy

Customers are expecting the brands they shop from to be accessible on the voice enabled devices they are using, and many companies are playing catch-up. As retailers make their first efforts in the voice commerce space it will be important to ensure that voice be part of their overall customer engagement strategies and not approach it as a stand-alone channel. Simply having a 'skill' or an 'action' built on smart speaker platforms will not qualify as having a strategy for voice. Voice interaction design must come in to play to align with overall brand messaging.

Conclusion

Voice commerce is evolving rapidly. Advances in machine learning and natural language processing will drive the growth and success of voice commerce. As more people use these applications to shop, AI will learn from the customer interactions and improve on the abilities to provide true conversational experiences.

The adoption rates for this emerging channel and the devices that enable it are likely to keep increasing at a fast pace, creating an inflection point for retailers and brands. Companies that emerge successful from this initial phase of voice commerce will be the ones that integrate voice technologies in to their overall customer experience strategies. They will gain insights into their customers by leveraging data from voice commands performed on their own apps as well as from the smart devices. By using these insights to create engaging and relevant conversations they can continue to own the relationship with their customers and maintain brand identity as more consumers use their voices to shop.

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