Hello, Computer

As our lives become busier and technology improves, it seems inevitable that we will increasingly interface with computers by speaking to them. Those companies that can capitalize on the growing use of voice platforms integrated into our homes and lives stand to reap the rewards.

- There are approximately four billion digital voice assistants worldwide, according to Juniper Research. One of the fastest growing segments of voice assistants is the so-called smart speaker, which sits in kitchens and living rooms all around the world. Smart speakers respond to voice commands and offer virtual assistants that provide hands-free activation at the sound of different signal words. Indeed, Canalys estimates 127 million such speakers will ship globally this year.

- Amazon and Google are the two leaders in the smart speaker market with about one-quarter and one-fifth market share, respectively. Accuracy and cost are important factors, but increasingly the interoperability of the platforms is the biggest user consideration. With Amazon Alexa having 100,000 compatible smart home devices (up from 60,000 last year) and Google Assistant supporting 30,000 such devices, the barriers to entry are large.

- With huge advances in natural language processing software (see blog The Future Just Arrived), voice assistants are likely to become much more powerful, enabling users to not just check the weather or engage in e-commerce, but also create and analyze data, making adopters more productive at work and at home.

- Investors may wish to consider the large voice platforms as strong businesses with significant growth potential but should also investigate complementary technologies like specialized voice software for industries such as automobiles.

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Source: Canalys, released April 2020. Note: EMEA is Europe, the Middle East and Africa.
The following positions represented the noted percentage of assets managed by Fred Alger Management, LLC as of June 30, 2020: Amazon.com, Inc., 5.7%; and Alphabet Inc. Class C Shares, 2.4%.

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