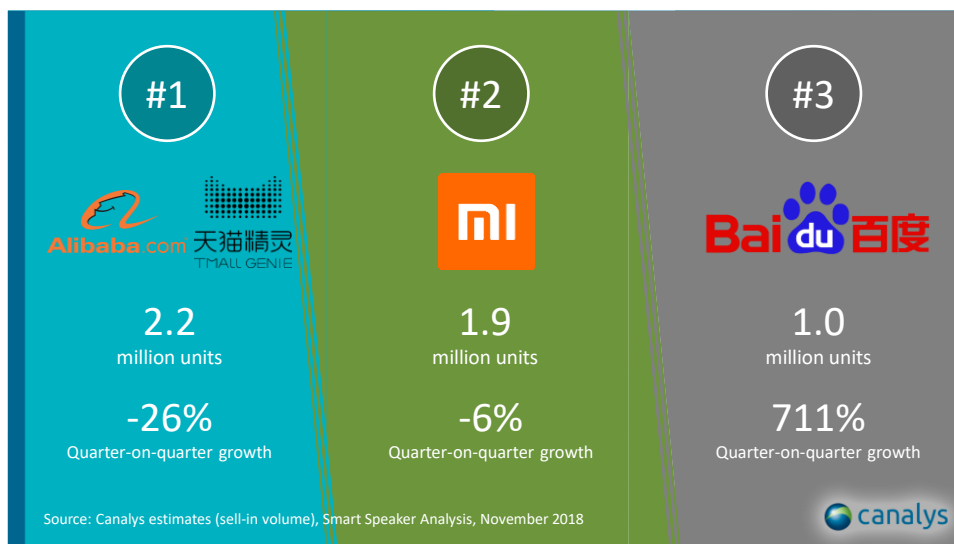


Baidu heats up China's smart speaker market, beating LingLong to enter top three in Q3 2018

Palo Alto, Shanghai, Singapore and Reading (UK) – Monday, 5 November 2018

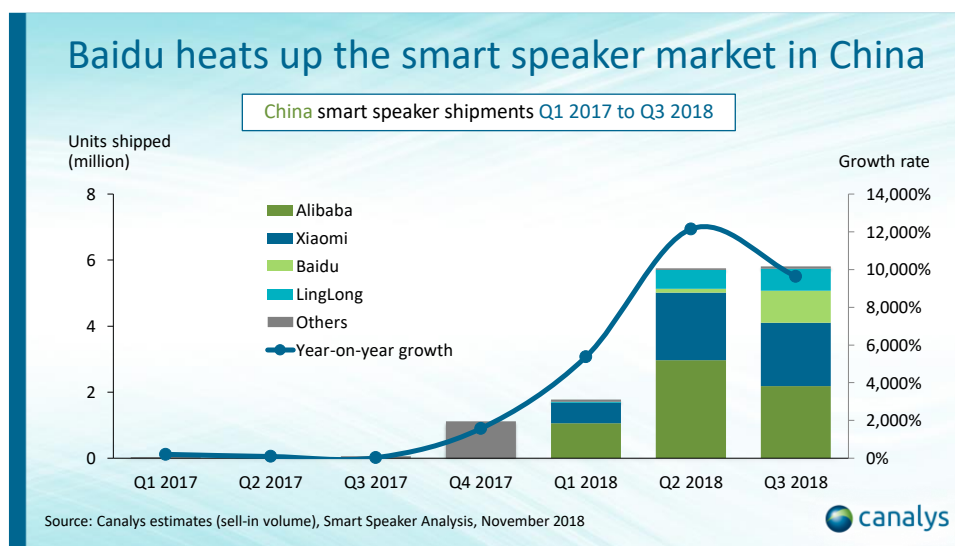
China's rapidly growing smart speaker market is attracting more big names and reached a new high in the traditionally sluggish Q3, just before all the major sales events of Q4. Smart speaker shipments hit 5.8 million units, with 1.0% quarter-on-quarter growth, and in a market that barely existed in the same quarter a year ago. Alibaba and Xiaomi's duopoly has now been broken by Baidu, which entered the market with a new line of speakers in Q2 2018, and quickly became the third largest vendor, shipping 1.0 million smart speakers and recording sequential growth of 711%. After a strong sell-in in Q2, Alibaba secured its first-place position in Q3, shipping 2.2 million Tmall Genie smart speakers, though it registered a 26% sequential decline. Xiaomi closed in on the leader, shipping 1.9 million units, 6% fewer than in Q2.



“The third quarter proved the perfect time for vendors to try out new sales tactics beyond just price promotion,” said Mo Jia, Canalys Analyst. “For example, Alibaba started to work with major home appliance makers, such as Midea, Haier and AUX, to bundle smart speakers with smart appliances. This increased awareness of Tmall Genie and gave people opportunities to use smart speakers to control newly bought items, such as air purifiers, robot vacuums, TVs and lightbulbs. Q3 also became a good opportunity to test the robustness of vendors’ channels as offline became

more important for speaker products. Xiaomi’s mix of online and Mi Home offline channels helped the company maintain stable shipments of its Xiaoai speakers in Q3, with no major online sales event, while it grew its portfolio with the low-cost Xiaoai Mini to also cater to offline retail.”

Baidu’s latest low-cost speaker has finally grabbed the industry’s attention. Baidu acquired Raven Technology in early 2017, which marked the vendor’s official entry into the smart speaker market. Baidu has recently shifted its smart speaker strategy to mass market products from premium price devices, such as its first-generation smart speaker, the Raven H, which was priced at CNY1,699 (US\$244) when it was launched in November and did not perform well. Baidu’s latest smart speaker, the Xiao DU, packed with competitive hardware, is selling at a promotional price of CNY89 (US\$13) from a recommended retail price of CNY249 (US\$36). Alongside the Xiao DU smart speaker, Baidu also introduced a smart display priced at CNY599 (US\$86). “To quickly raise awareness, Baidu hired a celebrity TV host to represent the product, with both online and offline advertising to direct users to Baidu’s own retail website,” said Jason Low, Canalys Senior Analyst. “Building up its smart speaker user base will be Baidu’s biggest priority, to increase the touch points for its smart assistant. Baidu should use its knowledge of online-to-offline service integration, and machine learning and AI development to boost its smart assistants’ USPs around capabilities in context awareness and executing more complex requests.”



Canalys forecasts explosive smart speaker market growth in Q4, backed by another round of aggressive marketing and promotional campaigns focusing on lower prices and more appealing bundles during the shopping festivals in the next few months. “Vendors will once again fight for dominance, with the aim of getting into consumers’ living rooms. Alibaba and Xiaomi have a head start, but there are big opportunities with first-time buyers and consumers looking to build smart

home device ecosystems. Vendors must improve the compatibility of their smart speakers with other emerging smart home categories, such as door locks and home automation systems, so they can compete on their speakers' breadth of use cases," said Low.

Smart speaker quarterly estimate and forecast data is taken from Canalys' [Smart Speaker Analysis](#) service.

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