

**NON-CONFIDENTIAL VERSION**

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**Sonos, Inc.**

**Response to the Commission's Preliminary Report –  
Sector inquiry into consumer internet of things**

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**1 September 2021**



**(DL/SH)**

## **Response to the Commission's Preliminary Report – Sector inquiry into consumer internet of things**

### **I. SONOS**

1. Sonos, Inc. ("Sonos") is active in the area of home audio systems. Sonos was founded in 2002 in the United States ("US") and is headquartered in Santa Barbara, California, US.
2. Sonos created the home audio category for wireless speaker systems, building on several of its foundational innovative technologies. In Europe alone, Sonos has obtained approximately [**Confidential**].
3. Sonos's devices operate as an 'open platform.' Sonos's philosophy is to allow the consumer to choose for him or herself among services on Sonos's products. Enabling consumer choice is one of the core distinguishing features of Sonos, together with its reputation for introducing innovative products – both are essential for Sonos to compete effectively.
4. Sonos's open platform poses a direct threat to Google's dominance in general search services and the adjacent markets, as such open platforms facilitate new products and services that can serve as an inflection point for accessing general search and search advertising.

### **II. INTRODUCTION AND OVERVIEW OF SONOS'S COMMENTS ON THE REPORT**

5. Sonos welcomes the 'Preliminary report - Sector inquiry into consumer internet of things' ("Report"),<sup>1</sup> in particular the 'concerns' outlined by the Commission based on the information supplied by respondents: [**Confidential**].
6. [**Confidential**]
  - a) [**Confidential**]
  - b) [**Confidential**]
7. [**Confidential**]
8. [**Confidential**]
9. [**Confidential**]

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<sup>1</sup> Commission staff working document, Preliminary report – sector inquiry into consumer internet of things, SWD(2021) 144 final, 9 June 2021.

### III. COMMENTS ON THE REPORT

10. Sonos welcomes the Report; [**Confidential**].

11. In the sections below, Sonos refers to the statements and findings in the Report [**Confidential**].

#### A. Comments on the 'Executive Summary' and Section 1 - 'Introduction'

12. The Report supports the importance of urgent intervention by the Commission to prevent continued direct and indirect harm [**Confidential**] to consumers. [**Confidential**]."<sup>2</sup>

13. [**Confidential**].<sup>3</sup> [**Confidential**]

14. [**Confidential**].<sup>4</sup> [**Confidential**]

15. [**Confidential**]

16. [**Confidential**].<sup>5</sup> [**Confidential**]

#### B. Comments on Section 2 - 'Characteristics of consumer IoT products and services'

17. [**Confidential**]

#### C. Comments on Section 4 - 'Main features of competition'

18. Price is an important basis on which Sonos and other smart speaker manufacturers compete. [**Confidential**]

19. The Report discusses price in the context of competitive dynamics. Sonos would urge the Commission not to downplay the importance of price, or to assume that certain observed pricing is 'normal' industry practice [**Confidential**]."

20. [**Confidential**].<sup>6</sup>

21. [**Confidential**]

22. [**Confidential**]

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<sup>2</sup> The Executive Summary of the Report rightly notes that "[v]oice assistant providers are among the largest players and have the most widespread presence in all areas of consumer IoT activity (from the operation of cloud platforms, to manufacturing of smart speakers and smart streaming devices, to the provision of related consumer IoT services)." See page 6 of the Report.

<sup>3</sup> [**Confidential**]

<sup>4</sup> [**Confidential**]

<sup>5</sup> [**Confidential**]

<sup>6</sup> [**Confidential**]

23. [Confidential].<sup>7</sup>
24. [Confidential].<sup>8</sup> [Confidential]
25. [Confidential]
26. [Confidential]
27. [Confidential] there is consumer demand to be able to choose between the general-purpose voice assistants available. [Confidential].<sup>9</sup>
28. The market for voice assistants is characterised by high barriers to entry. [Confidential]."<sup>10</sup>

**D. Comments on Section 5 - 'Interoperability in consumer IOT Ecosystems'**

29. [Confidential]
30. [Confidential]

**E. Comments on Section 6 - 'Standards and the standard-setting process'**

31. [Confidential]
32. Sonos is a member of the Voice Interoperability Initiative (the "VII") formed and led by Amazon. Google is not a member of the VII [Confidential].

**F. Comments on Section 7 - 'Data'**

33. [Confidential]
- a) [Confidential]
- (i) [Confidential]
  - (ii) [Confidential]
  - (iii) [Confidential]
  - (iv) [Confidential]
  - (v) [Confidential]
  - (vi) [Confidential]

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<sup>7</sup> [Confidential]

<sup>8</sup> [Confidential]

<sup>9</sup> [Confidential]

<sup>10</sup> [Confidential]

(vii) [Confidential]

b) [Confidential]

c) [Confidential]

d) [Confidential]

34. [Confidential]

35. [Confidential]

**G. Comments on Section 8 - 'Concerns raised during the sector inquiry'**

36. In Section 8 of the Report, the Commission sets out the concerns raised by respondents *"about practices that could potentially have a negative impact on competition, innovation and consumer choice in the consumer IoT sector in the EU."*<sup>11</sup> [Confidential]

37. [Confidential]

**IV. ADDITIONAL AREAS OF ENQUIRY: [CONFIDENTIAL]**

38. The Commission has asked for interested parties not only to comment on the Report and submit additional information of relevance to the sector inquiry, but also to raise 'further issues.'

39. The Introduction to the Report states that: *"The aim of the Sector Inquiry is to gain a better understanding of the consumer IoT sector, its competitive landscape, developing trends and potential competition issues."*

40. [Confidential]

41. [Confidential]

**A. [Confidential]**

**i. [Confidential]**

42. [Confidential].<sup>12</sup> [Confidential].<sup>13</sup> [Confidential]

43. [Confidential]

a) [Confidential]

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<sup>11</sup> See paragraph 369 of the Report.

<sup>12</sup> [Confidential]

<sup>13</sup> [Confidential]

b) [Confidential]

c) [Confidential]

44. In relation to the anti-competitive effects of this conduct, [Confidential]:

a) [Confidential]

b) [Confidential]

c) [Confidential]

d) [Confidential]

ii. [Confidential]

45. [Confidential].<sup>14</sup> [Confidential].<sup>15</sup>

46. [Confidential]

a) [Confidential]

b) [Confidential]

47. Many of the points, in particular assertions on the conditions of competition should be viewed with scepticism, namely, as concerns Sonos, the conditions of competition in relation to smart speakers and voice assistants for smart speakers.

48. [Confidential]

B. [Confidential]

49. [Confidential]

50. [Confidential]

51. [Confidential]

52. [Confidential]

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<sup>14</sup> [Confidential]

<sup>15</sup> [Confidential]