

Microsoft Copilot launches AI-powered ad features to vie for ad dollars in the chatbot space

Article

The news: Microsoft will debut AI-powered ads in its generative AI chatbot, **Copilot**, it said at its Advertising Accelerate event. The company plans to introduce multiple ad formats and tools designed to lure advertisers to the platform.

- The new features include **Showroom Ads**, a split-screen experience mimicking in-store guidance—brand interaction takes place on one side and answers questions in real time, while Copilot stays on the other for follow-up queries.
- Copilot will also provide an “**ad voice**” feature that explains why specific ads appear in response to user queries and **branded AI agents** that let brands engage directly with Copilot responses.

Paul Longo, general manager of AI in ads for Microsoft advertising, claimed that the Copilot ads experience is a “critical component of how we’re going to evolve our business” in conversation with Adweek.

Why this is happening: Microsoft wants to secure more ad dollars in the chatbot space as it goes against competitors like **Amazon’s Rufus** and **Perplexity**. While [search giant Google](#) has an insurmountable lead, Microsoft’s efforts have had some success.

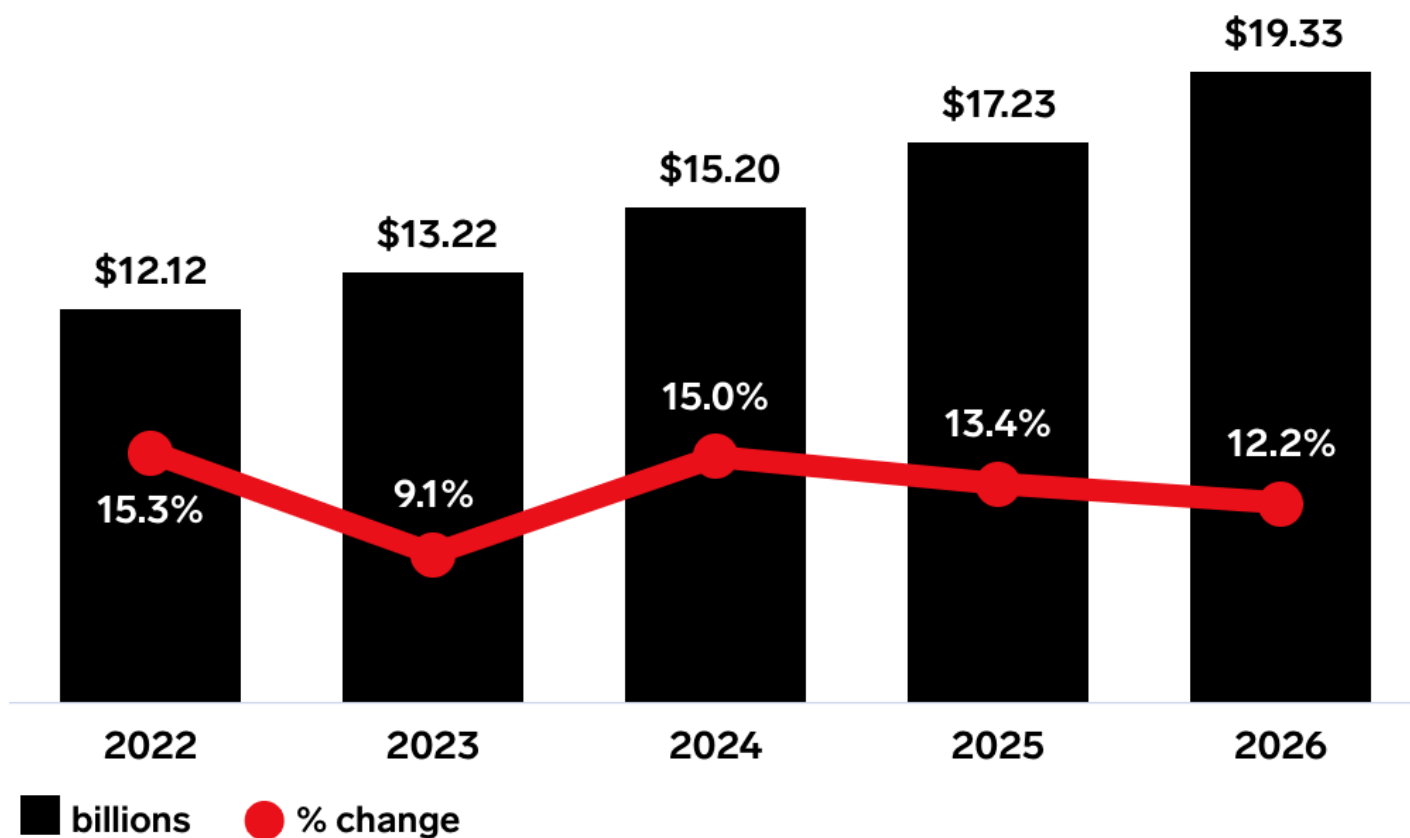
- Microsoft’s [search and news ad revenues](#) rose 21% last quarter, though it still lagged behind **Meta** and **Google**.
- Copilot outperformed traditional search ad relevance by 25% and doubled click-through rates last year, per Microsoft.

Our take: AI-powered ads could be a key contributor to Copilot’s growth efforts, as the technology has [struggled to impress](#) enterprise customers in the past. For marketers, Copilot could present a new opportunity to connect with audiences conversationally, [strengthening customer engagement](#) and potentially driving sales.

However, AI chatbots require a new approach to search-driven ad strategies. Rather than presenting users with generic ads, advertisers must ensure that Copilot ads are relevant and tailored to individual users. A new approach could enable advertisers to harness the power of genAI tools while making advertisements more effective overall.

Microsoft Ad Revenues

Worldwide, 2022-2026



Note: includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets, and other internet-connected devices, and includes all the various formats of advertising on those platforms; net ad revenues after companies pay traffic acquisition costs (TAC) to partner sites; data after 2015 includes ad revenues from LinkedIn

Source: EMARKETER Forecast, November 2024