OpenAI is preparing to launch ads—maybe

Article

The news: **OpenAI** is exploring advertising as a potential revenue stream, CFO **Sarah Friar** said in a Financial Times interview, as the company, now valued at $157 billion, continues to chart its path to profitability.

Friar later told The Register that the company has no immediate plans to implement advertising—possibly suggesting she accidentally overshared in the FT interview.

Ready to launch? Chief Product Officer **Kevin Weil** brings significant advertising expertise to the initiative, having overseen ad-supported products at both **Instagram** and **X**.

CEO **Sam Altman** has reportedly warmed to the advertising concept, though he continually emphasizes the importance of careful implementation to protect user experience.

Why this matters: The potential entry of OpenAI into advertising could reshape the digital ad landscape.

- AI platforms are poised to create significant competition for established players like **Google** and **Meta**.

- Smaller competitors like **Perplexity** have already begun testing ad-supported AI search engines and <u>in-app shopping features</u>.

- The shift signals mounting pressure on AI companies to establish sustainable revenue models. The company has achieved annualized revenues of **$4 billion** through its existing product lineup, but current AI development and training costs exceed **$5 billion** in yearly spending.

Diversifying the pie: Attempts to build concurrent revenue streams are promising.

- The company continues to expand its API licensing revenues from businesses and developers, Premium ChatGPT subscriptions have demonstrated strong consumer demand, and enterprise licensing agreements provide consistent income from large organizations.

- On the ad exploration front, the company has begun recruiting experts from industry leaders Meta and Google, teams are developing strategies to integrate ads seamlessly into existing products, and OpenAI is conducting extensive research on maintaining user experience quality.

Yes, but: There are a number of obstacles worth considering here.

- A reliance on ad revenues will require careful strategic planning to avoid unintended negative consequences.

- OpenAI must factor in user experience, not to mention maintain the integrity of its non-sponsored results, as it launches ads.

Our take: OpenAI's cautious approach to advertising reflects the delicate balance between profitability and user trust. While the company's **$5 billion** annual burn rate creates pressure to diversify revenues, success will depend on maintaining the quality of its AI services while introducing ads. The outcome could establish important precedents for how AI companies monetize their platforms beyond traditional subscription and licensing models.

Brands' Willingness to Advertise Alongside AI-Generated Content Is Growing Quickly

% of US advertisers and agencies willing to advertise within AI-generated content if accuracy and brand suitability can be verified, 2023 & 2024
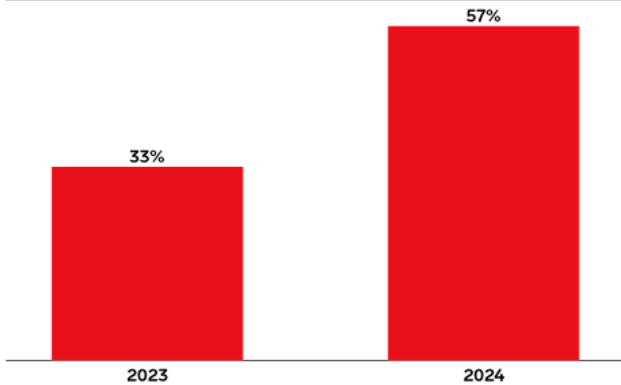
Source: Advertiser Perceptions, "Trust in Advertising: Have Advertisers Moved the Needle on Supporting Brand Safety, News Integrity and Quality Publishers?" Aug 28, 2024

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