

Google's 2024: AI breakthroughs, market growth, and regulatory challenges

Article

A year of AI expansion: Google focused on AI innovation—integrating its **Gemini AI** across products while addressing safety concerns and fierce competition from **OpenAI, Microsoft,**

and **Meta**.

Alphabet, Google's parent company, reported a 15% YoY revenue increase in Q3 2024, reaching \$88.3 billion, but now faces mounting regulatory pressure, including a potential **Chrome** browser breakup that threatens its search dominance.

Google's continued AI expansion: Google is a key player in the AI economy, driven by breakthroughs like Gemini, which has outperformed OpenAI's GPT-4 in mathematics and creative tasks.

- AI is now embedded throughout Google's operations, including within coding—AI generates 25% of new computer code created in the company.
- **AI Overviews** in Google Search is reshaping ad placements, Android devices are getting Gemini updates, and AI-powered **Chromebooks** aim to capture new consumer segments.

Gemini's safety issues—hallucinations and erratic responses—underscore the risks of rapid AI adoption without substantial guardrails.

But challenges abound: Google is far and away the revenue leader in search, earning \$49.4 billion in revenues in Q3 2024. But upstarts like OpenAI and **Perplexity** are taking advantage of Google's early missteps to gain search and AI market share.

Competition looms within the device and advertising markets too, as **Microsoft** and Apple embed AI, and **Meta** grapples with monetizing its own AI investments to transform ad markets.

Google Cloud rises: Google Cloud saw a 35% YoY revenue increase, fueled by AI demand and partnerships like the one it shares with Citi to overhaul the latter's infrastructure. It's a trend that's continued to grow in 2025 as companies look for AI-capable cloud services.

Antitrust regulation could hinder growth: The **Department of Justice's** (DOJ) push to break up Google's monopoly could force the sale of the Chrome browser, potentially fetching \$20 billion for Google but resulting in significant loss of business.

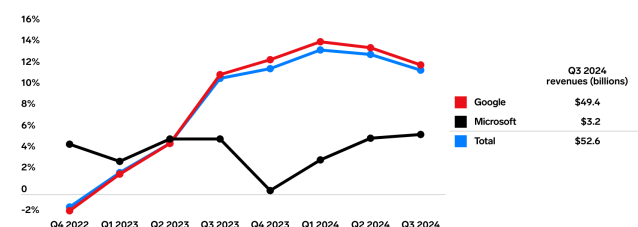
- **This breakup is an existential threat to Google's ad ecosystem**, which relies heavily on Chrome's user data.
- If Chrome's new owner shifts its default search engine, **Google Search**—currently buoyed by Chrome's 70.19% market share worldwide—could lose significant traffic.

- Simultaneously, smaller players like **Mozilla** and search engines like **DuckDuckGo** may gain opportunities but face revenue challenges due to their dependency on Google partnerships.

Google faces regulatory threats in various regions that focus on its search and browser monopolies and its **Play Store** and digital ad network.

Key takeaway: Google’s substantial investments in AI and cloud infrastructure will continue to drive financial growth, reinforcing its dominance in the tech industry. However, ongoing regulatory challenges and a potential breakup could greatly impair its future operations.

While Search Is Increasingly Fragmented, Google Is Far and Away the Revenue Leader
% change YoY and billions in Google and Microsoft digital ad revenues worldwide, Q4 2022-Q3 2024



Note: Google includes Google Search and some display ad revenues, includes traffic acquisition costs (TAC), and excludes YouTube; Microsoft includes search revenues only, excludes traffic acquisition costs (TAC), and excludes LinkedIn. Microsoft's fiscal year ends June 30 but its figures are organized to correspond with the calendar year
Source: company earnings releases, Nov 2024



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