

A week in, Microsoft says majority of AI-powered Bing users find it helpful. What does this mean for Google?

Article

Though only available in limited preview, the new AI-powered Bing search engine received a [thumbs-up from 71% of testers](#), Microsoft said in a blog released Thursday. In addition, there has been increased engagement in traditional search results as well as with the new chat feature.

Needs improvement: “We are grounded in the reality that we need to learn from the real world while we maintain safety and trust,” Microsoft said.

- **Search and answers:** Timeliness has been an issue, particularly when it comes to data like sports scores. In response, Microsoft will increase by fourfold the number of grounded data sent to the model for queries looking for direct and factual answers, like numbers from financial reports. The company is also considering adding a toggle for the level of precision versus creativity in query answers.
- **Chat:** Long chat sessions (15 or more questions) can confuse the model, so Microsoft may add a tool to easily refresh the chat. Another issue is [“unhinged” answers](#), “insulting its users, lying to them and appear[ing] to have been forced into wondering why it exists at all,” according to The Independent. Microsoft said, “The model at times tries to respond or reflect in the tone in which it is being asked to provide responses that can lead to a style we didn’t intend. This is a non-trivial scenario that requires a lot of prompting so most of you won’t run into it, but we are looking at how to give you more fine-tuned control.”

Other requests included the ability to book flights, send emails, or share your search/query results.

What does this mean for Google? Google did make a move into AI before Microsoft with [Bard](#), its ChatGPT competitor, though it’s also working through some bugs in the product.

“[Google] has some of the deepest pockets in the industry, so it can and has invested. That tells me Bard will be every bit as cool and transformational as ChatGPT,” said our analyst Evelyn Mitchell on a recent episode of [“Behind the Numbers: The Daily.”](#) “The main difference between Google and OpenAI is that the bar for responsibility is higher,” Mitchell said. “If anything goes wrong with Bard, Google is already under a lot of regulatory scrutiny, so the stakes are higher.”

Google is also making these moves after a disappointing fourth quarter of 2022:

- Revenues were down 4% YoY.

- Search and other was down nearly 2% YoY.
- Google Network was down 9% YoY.
- YouTube was down 8% YoY.
- This is after YoY growth in these areas in the fourth quarter of 2021.

“[Google’s drop in search revenues] is pretty concerning,” said Mitchell. “When times are tough and advertisers are scrutinizing their budgets, search has historically been one of the last to see pullbacks, because it's easier to determine return on investment and justify continued spending. So when search suffers, it's an indicator that the ad downturn has gotten worse.”

Looking ahead: We predict [Google will claim 53.9% of US search ad revenues in 2023](#). That’s down from 2021’s peak at 57.2%. Conversely, we predict Microsoft will pull in 5.2% of US search ad revenues this year. While Microsoft has a long way to go to close that gap, positive early reports from its AI-powered Bing launch could leave Google searching for new options to stop its search ad drop.

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