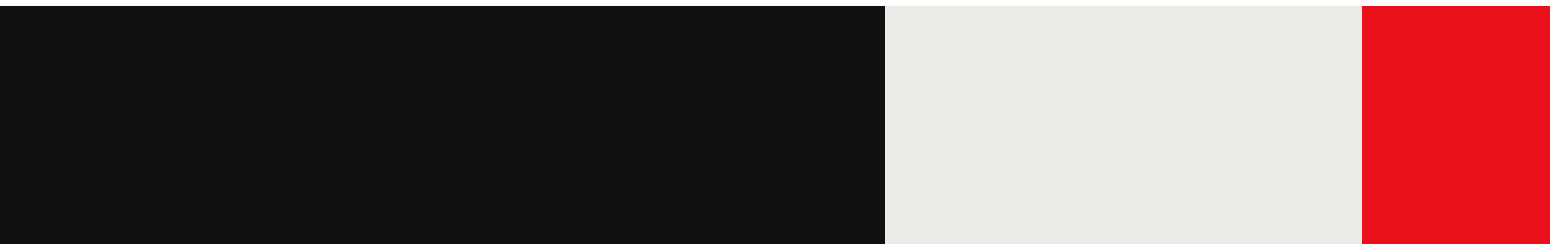


Google is developing an all-new, AI-powered search engine

Article



The news: Google is reportedly building a new AI-powered search engine under the working name “Magi,” according to a report from The New York Times.

- Though there’s no clear launch timeline, Google may begin testing Magi as soon as next month, with plans to expand access to 30 million users by year’s end.
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Google's AI rush: Magi is part of a [broad initiative](#) at Google to rapidly launch AI-powered products and add AI features to existing services in order to protect its market share against competitors who were earlier out of the gate with their own offerings.

- According to the Times, Google created a number of AI task forces to prototype products in a “panic” after word that **Samsung** might choose **Microsoft's Bing** to replace Google as its default search engine.
- That switch would represent a \$3 billion loss for Google, made especially concerning by a similar \$20 billion contract with **Apple** ending this year. In the last two years, there have also been rumblings that [Apple may develop its own search engine](#) for iOS.
- Google has launched [its own AI chatbot](#) called **Bard** and has promised to introduce AI features into existing products like **Gmail**, **Google Drive**, and more.

What would it look like? Magi is still in the early stages, but the Times report suggests that Google is attempting to build a search engine that preempts what consumers need, in addition to several other AI products and features for **Chrome**.

- Some features that may eventually launch will likely be tested in existing products first. Among the working products are a chatbot that can write code, introducing AI to **Google Earth**, a music-search chatbot, a language-learning tool, an AI image generator, and a research assistant chatbot, among others.
- Regardless of which specific features end up in Magi itself, Google is aiming to create a highly personalized service that can anticipate user needs by showing suggested products and research topics.

Top 5 AI-Driven Products and Services US Adults Are Interested in, Feb 2023

% of respondents

1. AI-powered online search	49%
2. AI-generated recipes	48%
3. AI-powered roadside assistance	48%
4. AI-powered smart assistants	46%
5. AI-designed products based on consumer trends	44%

Note: among those responding “very interested” or “somewhat interested”
Source: Morning Consult as cited in company blog, Feb 22, 2023

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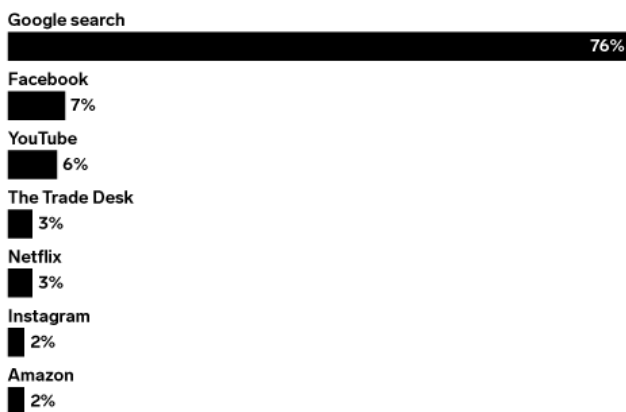
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Adapting the ad business: Google offering a new search engine is an earth-shaking big deal. Google is the premier access point to the internet for many, and a staggering **\$141 billion** of its projected global revenues of **\$170 billion** will come from search.

- Already, there are concerns about how AI-powered search could affect not just Google's ad revenues but internet companies at large. The argument is that if AI surfaces results quickly or at the top of a results page, ad purchases will be buried and sites will lose out on revenues from clicks.
- But documents obtained by the Times show that advertising is top-of-mind for Google. Searches on Magi would still feature ad placements and recommended products, and that code-writing chatbot may display ads underneath its results, to name two examples.

Digital Platform That Offers the Highest ROI According to US Ad Buyers, Dec 2022

% of respondents



Note: n=50; based on spend weighted basis; numbers may not add up to 100% due to rounding
Source: Cowen, "Ad Buyer Survey XI: '23 Outlook Suggests Modest Growth Despite Recession Fears," Jan 11, 2023

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Our take: Google is trying to find a delicate balance between staying ahead of competitors that are advancing new technologies and calming advertisers who are used to the established ways of doing business. The advertising-first approach suggested in the documents shows Google trying to find a rocky middle ground, but may appease advertisers that a smoother marriage between AI search and advertising is on the way.