

# Google's latest step into AI-powered advertising: Integrating ads into its conversational generative AI

Article

**The news:** Google will integrate Search and Shopping ads directly into its **Search Generative Experience (SGE)**—AKA its new conversational AI chat interface—the company announced at Google Marketing Live 2023.

- Users will find sponsored ads mixed in with their search results, indicated by a bold “Sponsored” label.
- Google will trial new ad formats in the space, which it says will be tailored to the user journey and powered by generative AI.
- There isn’t currently any option to opt out of these ads.

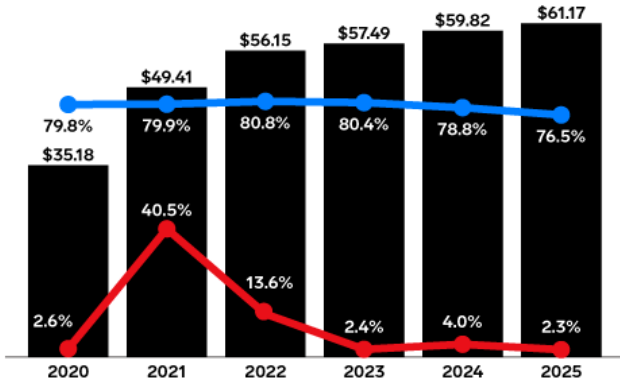
**Why it matters:** The integration of ads within SGE signals a significant change in the way Google displays ads, moving from the standard top and bottom placements to embedding them within the conversational chat.

- This change could potentially increase click-through rates (CTR), although Google hasn’t shared any metrics about these early tests yet.

**Our take:** The inclusion of ads within SGE is a mixed blessing. On one hand, it promises to offer advertisers a highly targeted and possibly more effective approach to reaching consumers. It could also increase Google's advertising revenues, which are (largely) how the company pays its bills.

- On the other hand, the new placement of these ads may lead to user confusion, as the ads could be mistaken for AI chatbot responses. This move might also raise concerns among marketers who rely on organic search traffic, as the ads could be perceived as overshadowing organic search results.
- This change is not unique to Google; other tech giants **like Microsoft** have also begun to monetize their AI chatbots. Yet the effectiveness of this strategy—both from a user experience and a monetization perspective—remains to be seen.
- The integration of ads into AI chat experiences is still in its experimental stage, and it's critical for Google and other tech giants to strike a balance between monetizing their platforms and ensuring a seamless, enjoyable user experience. But given Google's reliance on search revenues, it can't afford to *not* get this right.

**US Google Search Net Ad Revenues, 2020-2025**  
billions, % change, and % of total Google ad revenues



■ Google search net ad revenues    ■ % of total Google ad revenues

■ % change

*Note: includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets, and other internet-connected devices; includes contextual text links, paid inclusion, paid listings (paid search), and SEO; includes YouTube advertising revenues; net ad revenues after companies pay traffic acquisition costs (TAC) to partner sites*

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