



AI @ Google IO 2023

Generative AI capabilities across the media value chain

Updated: May 19th 2023

Better decisions, faster.

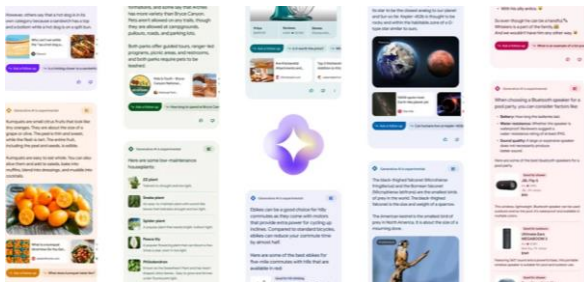


Multiple Google launches at IO

At the developer-focused [IO 2023](#) event, Google sought to address a growing sentiment that they [need to catch up](#) in generative AI. The term AI was mentioned around [149](#) times and is being embedded across virtually [all product sectors](#) language, from [mail](#) to [tablets](#).

For a while, AI technologies have been key to delivering [8.5bn Google searches per day](#), driving around [60% of Google's USD280bn revenue](#). AI is instrumental to around [12bn visual searches](#) per month, accounting for roughly 5% of all searches. The volume has quadrupled in the past two years.

Search ads are on the [cusp of a major shift](#) after years of only incremental changes. Google [Search Generative Experience](#) is a first step in the transition after initially appearing as a [Google Search Labs](#) experiment limited to US users. It will deliver responses to far more personal and specific queries generated on the fly by the AI, such as which destinations within a 1-hour drive are most suitable for a family with young children (and why).



The experience is built on a [35bn item shopping graph](#), so products and services most suited to the specific multi-part queries can be surfaced.

The graph already updates 1.8bn products per hour and maintaining connections in real-time will only grow in necessity.

This development also connects to a new [perspective service](#) that delivers more first-hand and expert content from individuals. This will be a new dimension for brands to optimize content and reviews.

Advertising placements will be [live from day 1-](#), and initially, it will not be possible to opt out or track SGE impressions separately, although new capabilities will come online quickly.

We expect to hear more about advertising products built around Generative AI capabilities at [Google Marketing Live](#) next week.

Better decisions, faster.

Commercial Implications and Opportunities

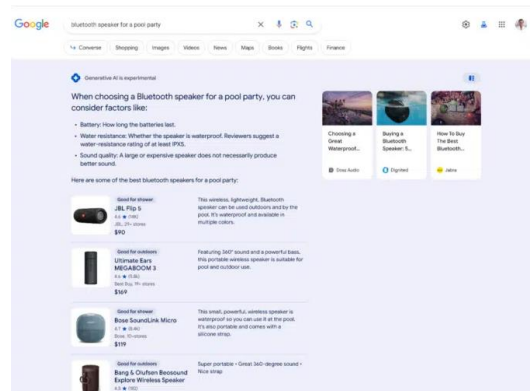
The AI sector has been re-ignited around the topic of technological innovation but is quickly focusing on scalability and economic impact. Closed betas of a few weeks ago are fast becoming globally available.

This month a GPT4-powered [Bing chat became available worldwide, accessed](#) only through the Edge browser.

Google also announced that its chatbot product, Bard, is [now available in 180 countries](#) worldwide, excluding [the EU](#) and Canada. This is most likely due to compliance concerns with current and [future](#) regulation.

Google has been slower to release generative search capabilities. It has been suggested that this is due to the increased compute cost of the advanced large language models required to create value through new search experiences. For example, GPT-4 costs an estimated [4-6 x more](#) than GPT-3 per query.

Google's new foundational large language model [PaLM2](#) emphasizes efficiency over scale, enabling sophisticated queries and outputs regarding to [approaching GPT-4](#) within far fewer parameters. This means it can be used more profitably for applications such as search or powering one-time creative.



Much optimization is needed, but we can expect to see generative search scale globally at speed, with significant implications for consumer journeys. Especially in many lucrative sectors such as e-commerce where [61% of US Shoppers](#) start to search on Amazon, or younger audiences who [often begin with TikTok](#).

[Publishers are worried](#) as search shifts from a source of monetizable traffic to a scraper of content.

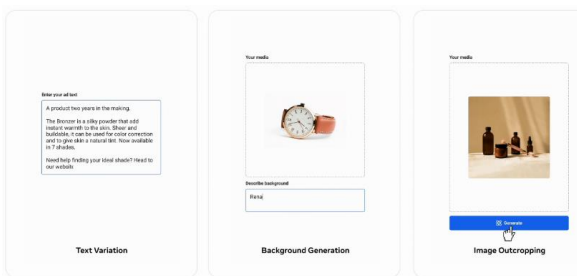


Applications across marketing

It is not just search that is impacted. Generative AI is transforming many areas of media and marketing.

Each platform is attempting to [build a moat](#) around its core revenue streams and a bridge to its competitors' [sources of income](#), as well as defending itself from the open-source community.

On May 11th, Meta [launched an AI sandbox](#) that enables advertisers to create or edit copy and images in Facebook and Instagram ads with text prompts. The sandbox is starting small but will scale through the next quarter.



This was launched alongside new automation features under the [Meta Advantage](#) program, driving more sophisticated approaches but with fewer resources. As well as [upgrades to AI](#) models that power ad system performance and [ad quality](#).

Google is also [launching AI-powered ad tools](#) to support efficient deployment of more specific messages. We will likely see extensions of tech stacks to various workflows, all optimized to work within given environments, requiring a new set of specialist skills.

Amazon plans to deliver Chat-GPT style functionality to a [conversational web store](#)- opening up new consumer journeys. The functionality will likely be available through an installed base of several hundred million Alexa-powered devices.

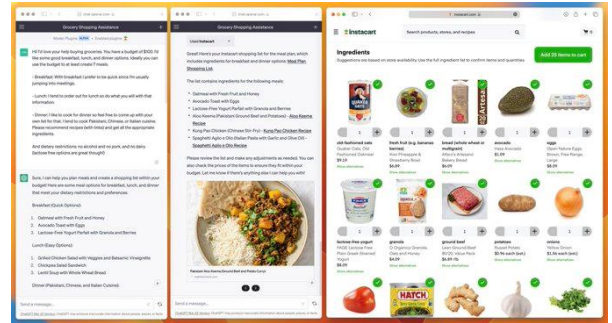
Microsoft's [USD 10bn](#) investment in OpenAI will seek a significant return, and part of that will come from ad innovation.

Recently, Microsoft launched a [chat API](#) ad to enable brands and publishers to create new conversational ads. Potentially obviating the need for a search when that functionality can be delivered within the ad experience. We expect to see much [innovation in this space](#) in the coming months.

Impact on strategy

It is more than just utilizing new tools and channels that drive tactical efficacy and efficiency. There are numerous strategic challenges and opportunities to consider when AI models are [more deeply embedded](#) in a business's data and operations.

One particularly fast-moving area is plugins made available this week to all paying Chat-GPT plus users. [Plugins enable very specific functionality](#) to answer a narrower range of queries better.



We have already seen plugins enabling detailed [travel queries](#) from Expedia, [restaurant](#) bookings, [media](#) curation, and [recipe](#) inspiration/delivery shown above from Instacart. They are currently beta experiments, and [disruptions](#) may occur in the coming weeks.

The immediate opportunity for brands, therefore, exists across three domains.

1. Use of AI-powered tools – such as those emerging from Meta and Google to drive efficiency within current models
2. Utilization of deeper integrations through APIs and plugins to create better experiences with less friction
3. Creation of proprietary models through customization of foundational models with first-party data to create new forms of value

90% of business leaders [expect to use AI](#) often or constantly over the next two years. Many will start with more straightforward cases built around tools, but it will be those that master the creation of [models that solve problems](#) that will see outside growth.



Jean-Paul Edwards

OMD Worldwide Managing Director,
Product

jean-paul.edwards@omd.com