

AI Revolution: The Present and Future of Paid Search

—
Understanding AI's impact and
how to approach strategic
investment planning



— INTRODUCTION

Advancements in artificial intelligence (AI) have been remarkable, transforming various industries, including digital marketing. One key area poised for AI-driven change is the search landscape and how individuals both seek and receive answers to their questions. As planning season approaches for many brands, it's important to anticipate potential changes in user behavior and understand how these shifts might impact paid search campaigns.

This article provides a high-level overview of the changes in the search landscape, examines the impact of new AI-based search engine alternatives on traditional search traffic, evaluates the necessity for new keyword strategies, and explores potential developments in the coming year. Finally, it discusses what these changes mean for advertisers and how they should prepare.

AI IS CHANGING HOW PEOPLE ACCESS INFORMATION

AI's most significant impact on search marketing lies in how users find information and the nature of the content they receive. Although Google and Microsoft have used AI technologies for years, they are now becoming more prominent to users within the search engines as these platforms integrate similar AI features directly into their search results pages in response to new competitors. Meanwhile, AI is also disrupting the market as these new players enter the search market landscape with an AI-first product. These new options offer better interactivity, personalized responses, and more contextually relevant results than traditional search engines, which often struggle to meet specific and/or nuanced individual user needs. This article will focus on ChatGPT and Perplexity, two of the most notable platforms generating significant interest in the market. However, it is essential to recognize that a steady influx of new competitors is continually entering the rapidly expanding search space with AI products, many of which are creating niche offerings to differentiate themselves.

As of January 2023, OpenAI marked its position as a leader in the AI search platform arena, with its flagship product, ChatGPT, reaching a landmark of 100 million monthly active users.



By April 2024, ChatGPT's monthly traffic had soared to 2–3 billion visits, highlighting its rapid growth and casting doubt on the future of traditional search engines. Although detailed data on the specific percentages of tasks users request from AI engines is not yet available, it is evident that users are increasingly asking ChatGPT to perform functions beyond the scope of traditional search engines. This trend indicates that most interactions represent net new searches rather than a direct replacement for conventional search methods. Users are leveraging ChatGPT for various unique tasks, such as translations or content creation, reflecting its expanded role and the evolving ways AI technology is used.

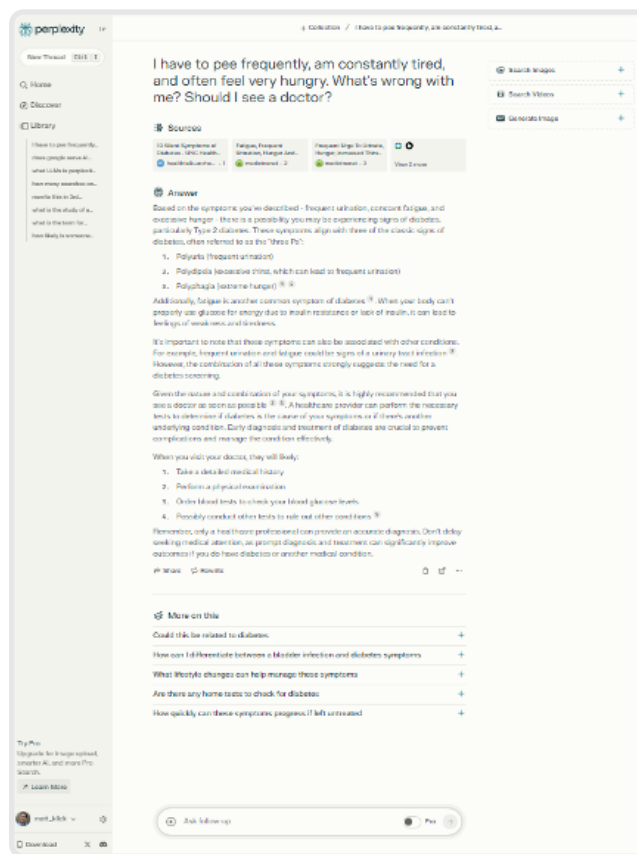
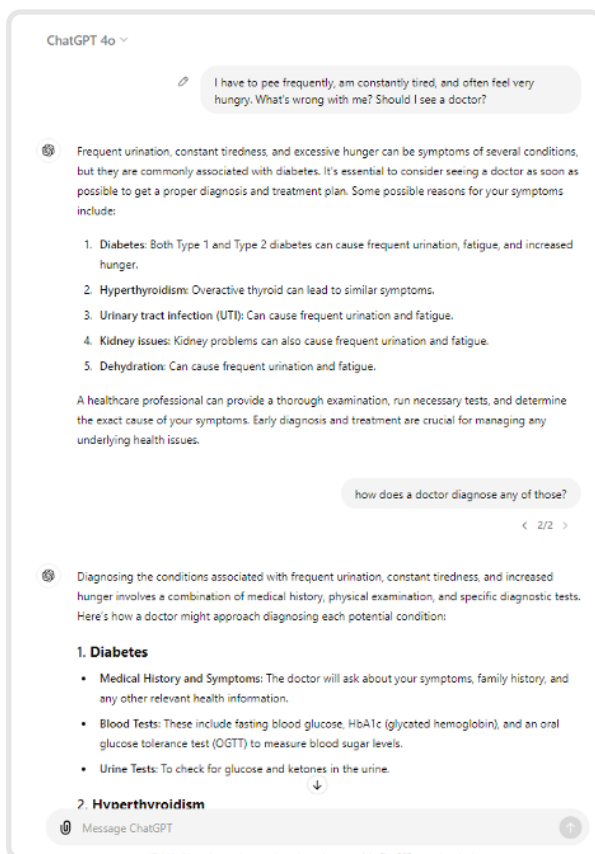
ChatGPT isn't the only AI solution transforming the search landscape. Experts have praised Perplexity, particularly its subscription-based Pro version, which offers access to advanced language models like GPT-4, Claude, and its own experimental model.

ChatGPT and Perplexity fundamentally differ from Google and Bing in how users interact with the platforms and access information. Some everyday use cases for these platforms include:

- Conversational interactions
- Creative writing and content generation
- Personalized assistance and tutoring
- Programming help and code generation
- Idea development and problem-solving



Below: ChatGPT and Perplexity both answer user questions in a very conversational and thorough manner while also allowing the user to ask follow-up questions for more details.



Google and Bing, on the other hand, continue to thrive in the following use cases:

- Finding website/pages, articles, and a wide range of information
- Local searches and maps
- News and current events
- e-commerce and product searches

The use cases for the AI platforms currently do not apply to paid search. Still, it is important to be aware of them, as advertising may eventually become available on AI engines. Both Google and Facebook launched their platforms without advertising for several years. Understanding the AI use cases may become crucial as they could influence targeting strategies depending on how advertising functions on those platforms.

Adding to this evolving landscape, the search incumbents Google and Microsoft have embraced AI technology to enhance their search engine capabilities, with Google introducing Gemini and Microsoft launching Copilot (powered by ChatGPT). These strategic moves highlight the ongoing transformation and competitive dynamics in the search engine market, driven by AI advancements.

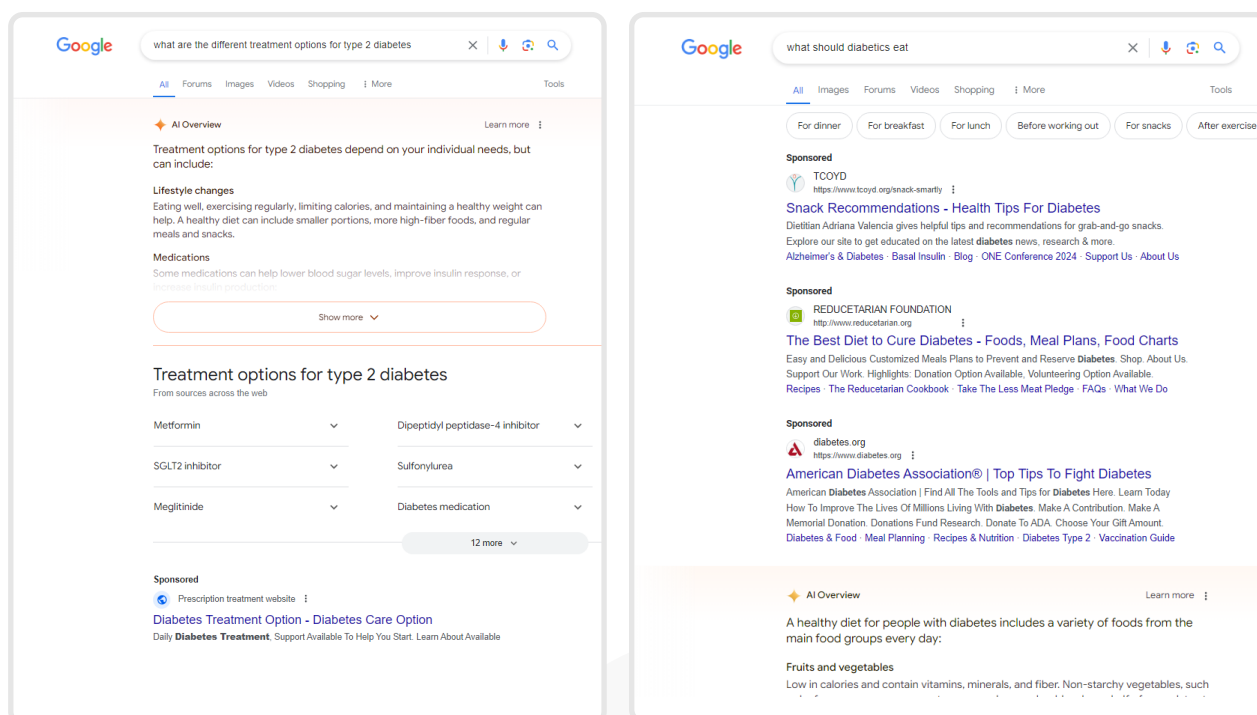
Since Google and Microsoft are currently the only platforms (of those mentioned) that allow paid advertising in their results, the following analysis will take a deeper dive into how they are presenting their AI responses in their results pages to understand what the impact might be on paid search campaigns.



Google Gemini

Google has integrated Gemini directly into their search results as an AI Overview. It can be found at the top of the search engine results page, often but not always, above paid search ads. These AI results are only available [in the US \(with more countries coming soon\)](#) and if the user is logged into their Google account. Google has not disclosed the frequency with which these instances occur above or below paid ads nor the specific criteria used for their placement. However, they have communicated that ongoing tests are being conducted, suggesting that the optimal positioning is still under evaluation.

Below: Google Gemini offers an AI Overview directly in the results page, sometimes above (left) and sometimes below (right) paid search ads.

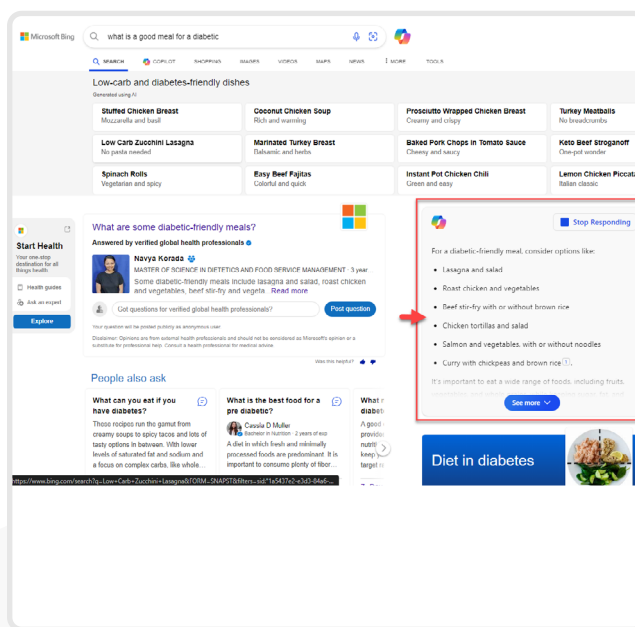
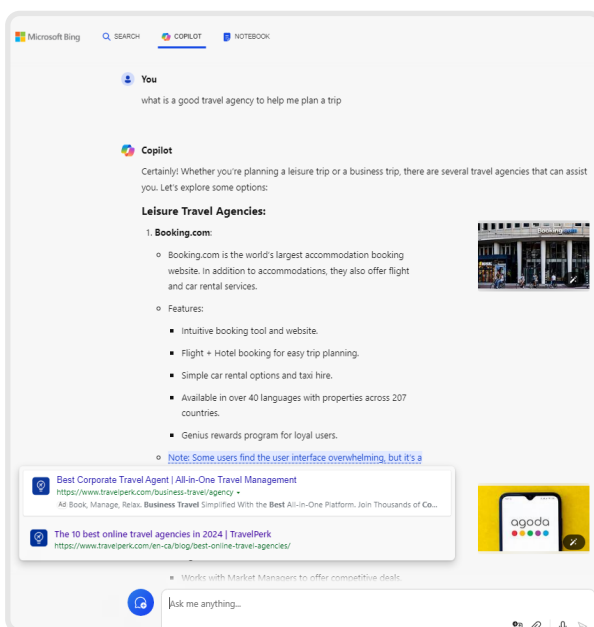


Microsoft Copilot & Bing

Microsoft has incorporated AI into its platform in a few ways. Copilot, a separate platform where users can converse with AI directly, has no traditional search listings. However, as of March 31, 2024, users can now find Copilot results integrated directly in the Bing search engine results page. Users can also perform a "deep search," which provides generative AI search results powered by GPT for more complex queries. The Bing and Copilot platforms are monetized with paid search ads, although pharmaceutical advertisers are currently excluded from Copilot. Microsoft has stated that this exclusion is due to the sensitive nature of the industry. This is a vague explanation, but the only one that has been provided, and there has been no indication that this may change.

Below (left): Microsoft Copilot is separated from their traditional search engine, and while pharmaceutical advertisers are exempt, ads can be served in these results.

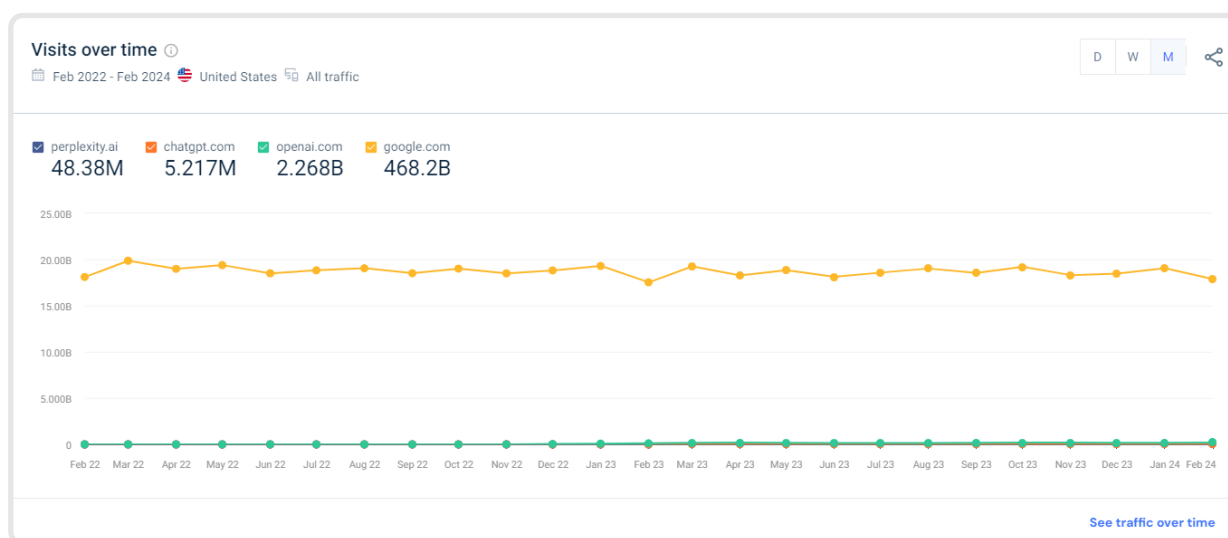
Below (right): Bing now includes Copilot results directly on the search results page, sharing the space with paid ads and organic listings.



WHAT IS THE IMPACT OF EMERGING AI SEARCH PLATFORMS?

Despite the launch and swift adoption of ChatGPT last year, Google's search volume has remained robust. This is likely because Google is the default search engine on Chrome and most smartphones, a significant factor in why many users continue to rely on it for information. This insight suggests that both Google and ChatGPT are being used but for different needs, with ChatGPT handling incremental requests that would not typically be performed on a traditional search engine.

Below: Traffic to Google.com has remained steady since the launch of ChatGPT and other AI platforms, suggesting that any traffic those platforms are gaining are incremental searches and/or too small to have a noticeable impact on Google's position in the market.



Source: SimilarWeb

POTENTIAL CHANGES IN SEARCH TRENDS AND WHAT THIS MEANS FOR ADVERTISERS

AI Overviews has been available on Google since May 22, 2024, so it is still too early to determine its impact on search behavior. However, Google previously launched the Search Generative Experience (SGE) in May 2023, providing users with AI-generated responses.

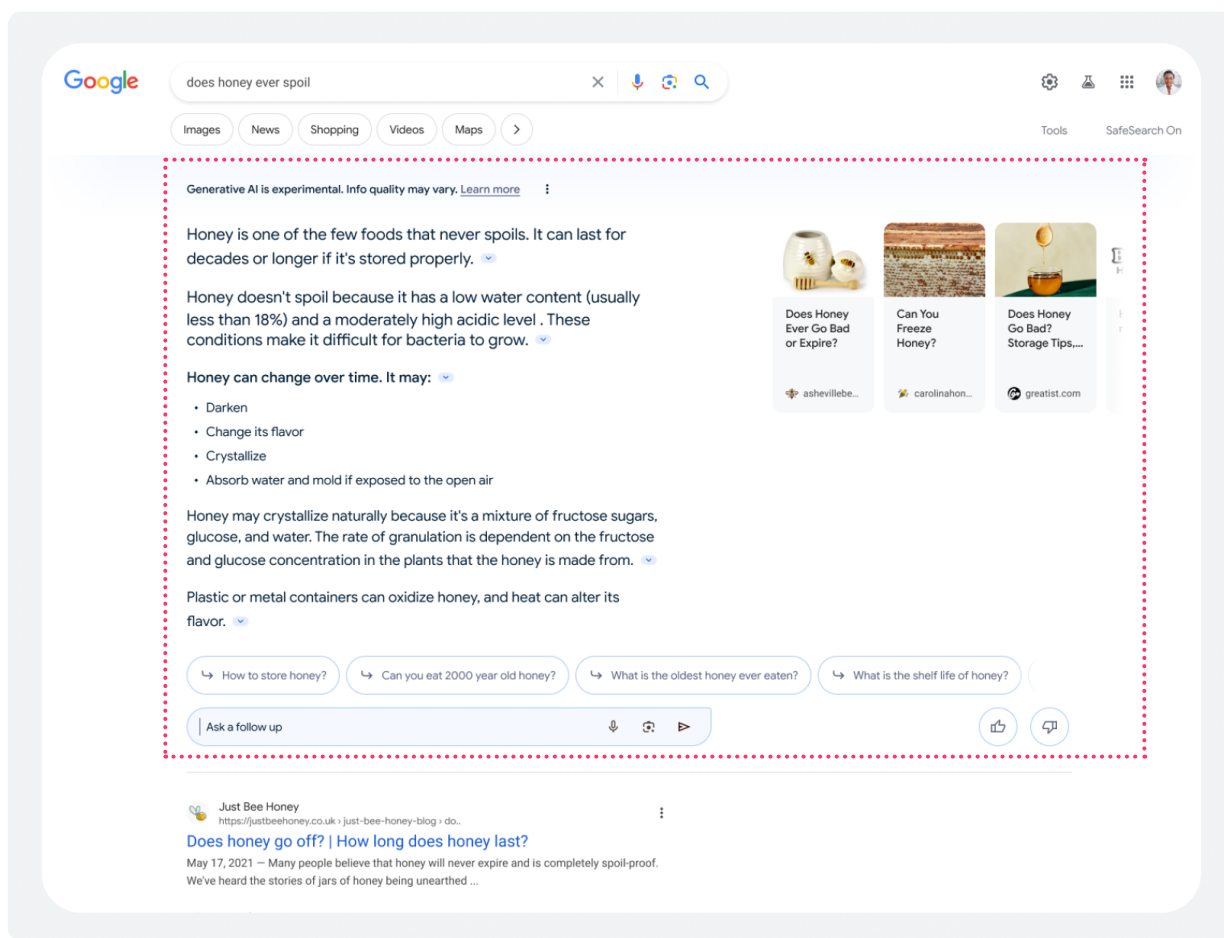


Image source: Google

Three plausible theories about potential changes in user search behavior have emerged, which will be investigated.

1. Users might start employing longer, more descriptive queries, which may increase prompt-based searches.
2. Users may phrase their searches as questions more frequently.
3. Users may refine their searches with more directive prompts that continue from the context of their previous query.

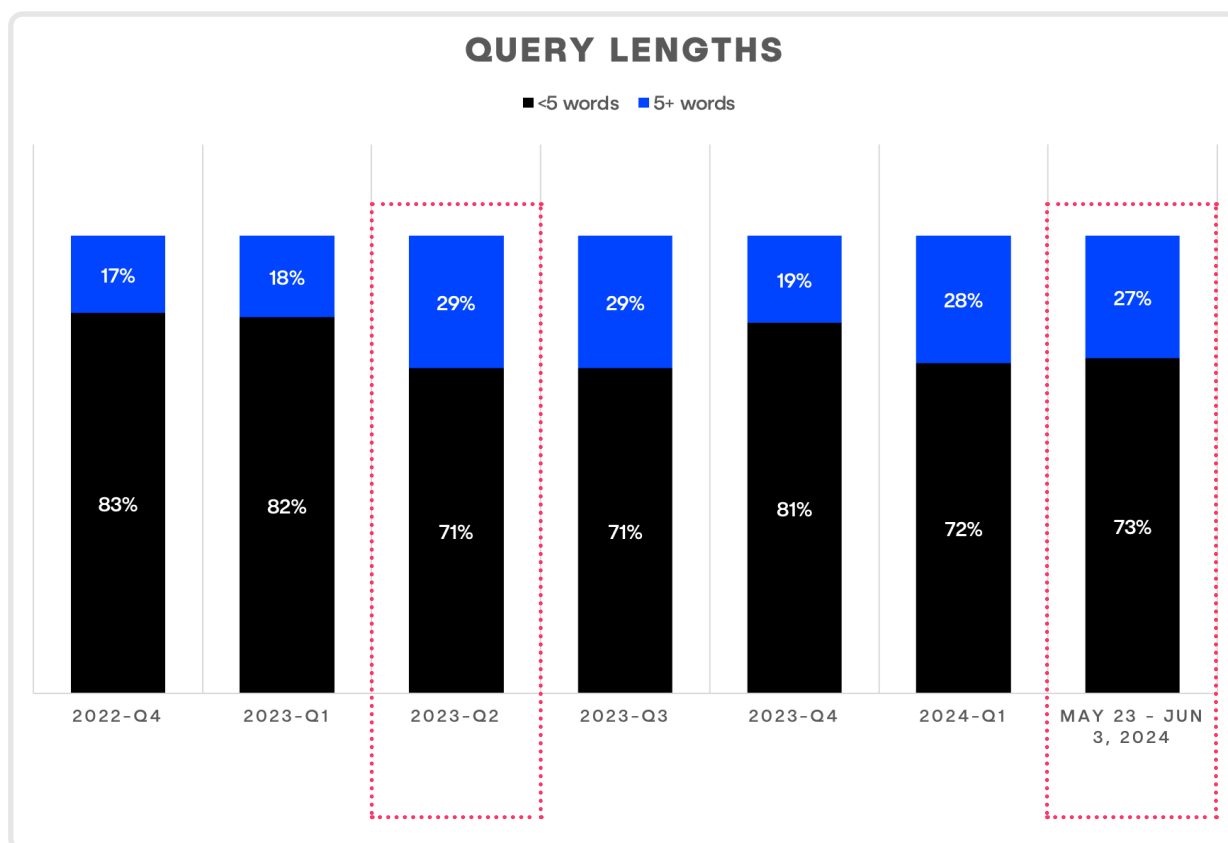
When examining data from all paid search accounts managed by Klick (see below), a new trend has been observed: approximately a 10% increase in longer-tail queries as users adapted to the SGE. In the first week since the launch of AI Overviews, there have been no significant changes in query-length trends compared to the SGE.

WHAT IS A PROMPT-BASED SEARCH?

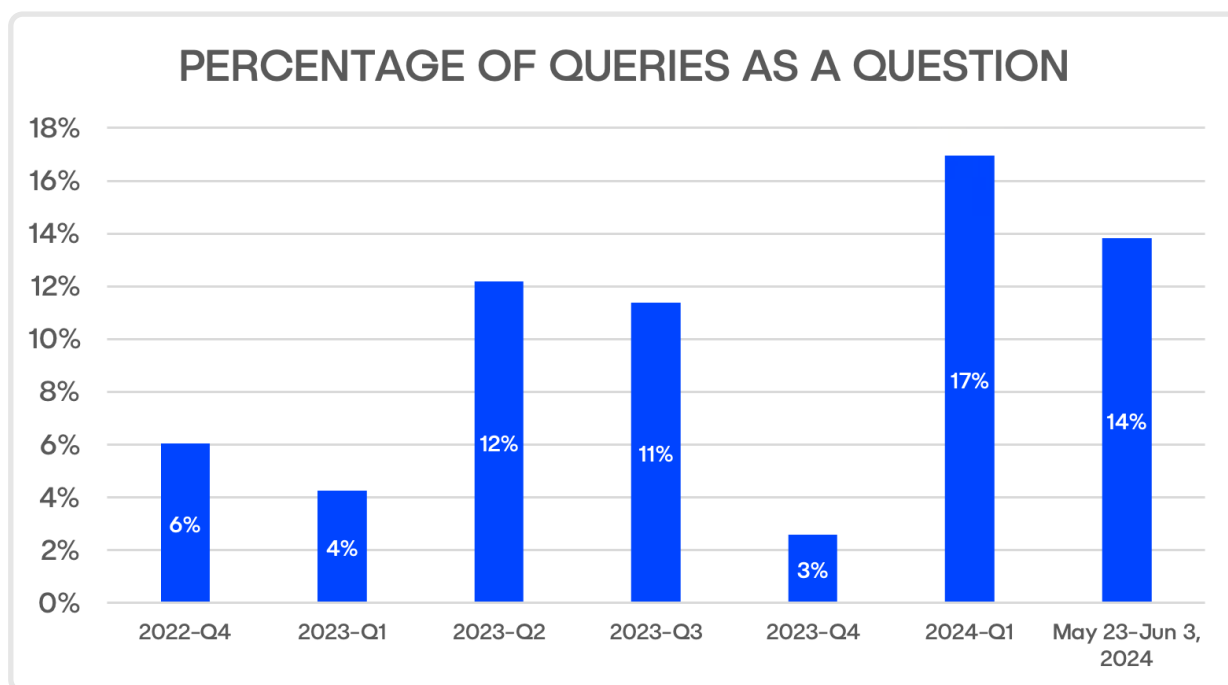
A prompt-based search is where users input detailed, conversational queries or instructions to obtain specific, contextually relevant answers.

Example:

Provide me with a menu plan for the week to effectively manage type 2 diabetes. I don't like Brussels sprouts but I do like broccoli and have a lot of that in my fridge.



Similarly, the number of questions asked has increased since the launch of SGE (excluding the anomaly in Q4 2023). This trend has slightly declined since the introduction of AI Overviews. Still, given the small sample size, this decline is inconclusive in indicating any new trends until more data becomes available.



These findings suggest that advertisers adjust their keyword strategies to include more long-tail and question-type queries. However, Google Ads now uses intent-based matching, meaning ads can appear when a user's query aligns with the advertiser's keyword intent. For example, the keyword "weight loss treatment" could trigger an ad for a query like "What's the best weight loss drug for a 45-year-old female." As long-tail and question-based queries increase, including higher-volume terms can provide more options for granular optimizations and potentially improve performance efficiencies.

Lastly, the theory about refined searches seems implausible in both Google and Bing search engines. If a user attempts to refine a previous query, the engine treats this refinement as a new search, ignoring any relevant information

from previous searches. Consequently, the new search becomes its query rather than a refinement, likely preventing any significant shifts in user behavior on these platforms. This suggests that such refined searches will only become commonplace on AI platforms like Copilot, ChatGPT, and Perplexity. It is noteworthy that Copilot is currently the only AI platform allowing advertising, although, as mentioned earlier, it does not permit pharma ads. Non-pharma advertisers may seek to consider how refinements factor into their keyword strategy. Depending on the brand, audience, and strategy, they may find value in testing tactics similar to those used in keyword contextual marketing strategies, which tend to be broader and more explorative of closely related categories than traditional search keyword strategies.

THE FUTURE OF SEARCH ADVERTISING PRESENTS A FEW POTENTIAL SCENARIOS

As AI poses potential changes to the landscape of search marketing, several possible scenarios could unfold, impacting the dominance of traditional search engines like Google and advertisers' strategies in this evolving ecosystem.

One possibility is that Google continues to dominate due to user familiarity and inertia. Many users may not fully grasp the distinctions between various AI platforms and opt to stick with Google, using Gemini to serve their AI needs simply out of habit. In this scenario, paid search will remain important since Gemini is integrated into the conventional search experience, keeping paid search ads prevalent.

Another possibility is that AI platforms might sustain their growth trajectory, leading to a more evenly distributed market share. This scenario could see Google losing traffic, but the impact on paid search campaigns might be less. Since most search engine marketing (SEM) campaigns do not fully capitalize on all the available market share, advertisers might maintain or slightly adjust their investments to preserve or enhance their reach. Moreover, advertising on AI platforms could emerge as a new frontier, with [Perplexity already exploring such possibilities](#).



While OpenAI's CEO [Sam Altman has expressed a bias against advertising](#), economic pressures might necessitate additional monetization strategies beyond charging for API access and ChatGPT paid tiers. Predicting how much of an impact this will have on search advertisers is challenging. Given that Google remains the default search engine on most browsers and phones, it will take significant strategic marketing strategies to displace Google as the leader in the search market space, which will undoubtedly take time.

[OpenAI's looming partnership with Apple](#) is a step in the right direction for OpenAI. Still, it doesn't negate the deal Google already has with Apple, which will ensure they remain the default search engine on Apple products. Unless [the US Department of Justice's antitrust case against Google](#) results in a swift ruling and immediate enforcement of actions, Google will likely maintain its dominant position in the market, at least in the near future.

A scenario where Google is completely displaced seems less likely, as traditional search continues to appeal to specific user needs, such as transactional searches where users prefer a straightforward list of options. Furthermore, a [Pew study](#) shows that 37% of Americans are more concerned than excited about AI, suggesting a continued audience for traditional search engines. The key question is whether this market will remain large enough for Google to sustain its business.



HOW BRANDS SHOULD PLAN AROUND PAID SEARCH

In all the scenarios presented here, any significant losses to Google traffic aren't anticipated in the immediate future (this year and next), so advertisers can continue to plan investment strategies, assuming the same search volumes will continue to be available as they have always been.

It is crucial for search advertisers to vigilantly monitor the market, adapt swiftly to emerging opportunities, and deeply understand how users leverage different platforms for varied information needs. Since search advertising operates on a cost-per-click (CPC) model, advertisers can continue to use platforms like Google and Bing and deploy efficiency-focused bidding strategies while tolerating diminishing traffic levels. Even with fluctuating user numbers, each click represents an active hand-raiser and a direct engagement from a user, ensuring that brands can still achieve a strong bottom-line return at whatever scale available.





We welcome your questions
and feedback. Please contact:

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