Google’s search business is feeling the heat

Google’s search revenues inched upward in the first quarter of 2023 after years of rapid growth, suggesting the tech giant might be facing some difficulties with its golden goose. In an earnings release today, Google reported its “search & other” revenues were up 1.87 percent year over year (jumping from about $39.6B to $40.4B), which is much smaller growth than the 24.28 percent jump the company saw in Q1 2022 and the 30.11 percent bump in Q1 2021.

Right now, search is seeing significant competition from all sides. Microsoft is trying to steal users away from Google with its AI-powered Bing chatbot, which became more widely available last month. And many people are turning to other tools like OpenAI’s ChatGPT to search for and learn about different topics. ChatGPT reportedly raised major alarm bells inside Google, and the company in March opened access to its own Bard chatbot. But more than a month on, Google is still calling Bard an “experiment,” and the company’s employees reportedly labeled it “worse than useless” ahead of launch. (In our own tests, Bard generally didn’t perform as well as Bing’s chatbot and ChatGPT.)

As a result, Google seems to be extremely focused on building out its AI capabilities. It’s planning to add generative AI features to Workspace products like Gmail and Docs. Just last week, it combined its Brain and DeepMind groups into one Google DeepMind organization, a move that Pichai says is intended to “significantly accelerate our progress in AI.” It also seems like a sure bet that Google will have lots of AI news at the Google I/O conference on May 10th.

Despite the slower growth — which is also happening at a tricky time for advertising in general — Google executives seem pleased with search's performance last quarter. CEO Sundar Pichai said that search is "performing well," while CFO Ruth Porat praised the business' "resilience."

Google's future isn't entirely focused on AI. As part of Tuesday's earnings report, Google revealed for the first time that its cloud business is profitable. The company is also continuing to build out its devices portfolio, and rumors indicate we could see news about the Pixel 7A, Pixel Tablet, and Pixel Fold at I/O as well. It reported "great momentum" for its Pixel devices during its last earnings report, and it seems Google wants to keep that progress going with this rumored slate of new products.

The company has also been affected by the broader economic downturn, announcing in January that it would be laying off 12,000 employees.

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