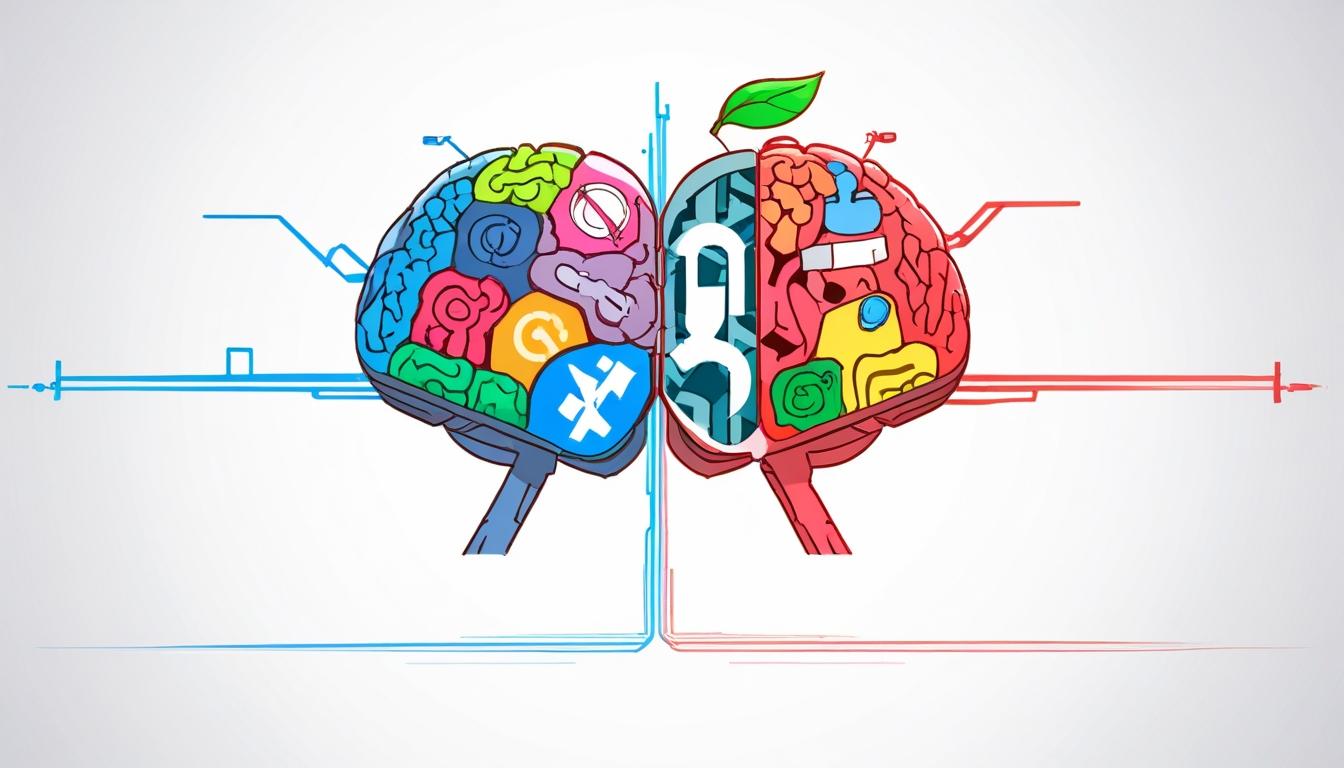
# Google’s search dominance shakes as Apple eyes AI alternatives in Safari



Investors in tech giants Apple and Google are increasingly apprehensive about the rapid rise of artificial intelligence (AI) search capabilities, particularly as alternative platforms like OpenAI's ChatGPT gain traction. This growing unease was underscored in a recent report highlighting a significant dip in Google’s share price, following statements made by Apple’s senior vice president of services, Eddy Cue. In testimony during a Justice Department lawsuit against Google, Cue revealed that searches conducted via Google’s search engine through Apple’s Safari browser had declined for the first time, attributing this shift to the burgeoning popularity of AI search technologies.

The implications of this trend are significant. As Apple contemplates integrating AI-based search engines such as Perplexity into Safari, the current dominance that Google enjoys due to its revenue-sharing agreement with Apple—worth approximately $20 billion in 2022—could come under threat. Following Cue’s disclosures, Google witnessed a staggering loss of nearly $150 billion in market capitalisation, while Apple’s shares dropped modestly by about 1%, indicating how sensitive these companies are to shifts in consumer preferences and technological advancements.

Analysts have pointed out the challenge this shift presents to both companies. Dilantha De Silva suggested that while smartphone users might not have previously rated AI features as central to their experience, the landscape is changing, necessitating Apple's response to the consumer demand for AI functionalities. Simultaneously, Nexus Research highlighted the precarious position Google finds itself in; with Apple exploring alternatives and engaging with other AI competitors, Google’s long-standing "default" status on iPhones is at risk.

Internal challenges within Google are also notable. After facing criticisms for a lack of a robust response to the AI chatbot surge, the company has grappled with its ability to launch competitive products. As reported, Google's first attempts to launch alternatives, such as the Bard chatbot, were hindered due to internal organisational issues and a fragmented corporate culture. CEO Sundar Pichai is under pressure to accelerate AI initiatives, as failure to do so may jeopardise Google’s foundational advertising revenue, which relies heavily on its search engine.

Moreover, challenges associated with transitioning its wealth of data and infrastructure into a competitive AI framework are exacerbated by the rising costs of maintaining AI searches that do not seamlessly integrate with its existing ad-based revenue model. As user preferences shift towards direct, conversational answers provided by AI chatbots, Google’s historical dominance in the search market, where it held a 99% share as of 2021, has begun to wane. Recent data indicates a noteworthy decline of three percentage points as users explore AI alternatives.

Adding to the competitive dynamics is Apple's reported plan to potentially incorporate Google's generative AI into its devices. This move, however, is fraught with regulatory risks, as antitrust scrutiny looms large over cooperative tech arrangements that may appear monopolistic in nature. As confirmed, Apple is negotiating potential AI collaborations with both Google and OpenAI, in a landscape defined by intense competitive forces.

The landscape is further complicated by the ambitions of other players in the tech sphere. OpenAI is evidently advancing its market strategy, signified by its recent recruitment of Fidji Simo, the former CEO of Instacart, to lead its applications business. As Julia Huang of Vesey Ventures noted, OpenAI's strategy clearly aims at establishing a strong consumer platform, thus intensifying the competitive atmosphere for traditional search engines.

Despite these challenges, there remains cautious optimism regarding Google's ability to adapt and leverage its existing resources. Reports indicate that, despite a tumultuous environment, the company recently experienced a 13% rise in advertising revenue alongside notable growth in its AI-driven cloud computing services, a segment that remains a critical revenue pillar. As major tech firms ramp up their capital expenditures—Alphabet alone planning a significant increase to $48 billion—the stage is set for a potential resurgence in the market spurred by AI innovations.

Ultimately, the future landscape of search technology will hinge on how swiftly Apple and Google can pivot towards AI-driven solutions amidst heightened competition and evolving consumer expectations. The interplay between innovation, market dynamics, and regulatory considerations will undoubtedly shape this unfolding narrative.

### Reference Map

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## Bibliography

* <https://www.pymnts.com/artificial-intelligence-2/2025/apple-and-google-investors-fret-as-chatgpt-gains-search-ground/> - Please view link - unable to able to access data
* <https://www.ft.com/content/4dfc113f-ccbe-4d11-82b5-761c77fbda24> - In early 2023, Google faced challenges in developing a strong competitor to OpenAI's GPT-4 after the success of ChatGPT. Internal competition led to delays and the release of the less sophisticated Bard chatbot. By the time Google launched Gemini almost a year later, it faced significant issues with image generation. Despite these challenges, Gemini was eventually praised in tech circles. However, Google's efforts in generative AI have been hindered by organizational inertia, fragmented structure, and lack of coherent strategy. CEO Sundar Pichai has faced pressure to be more aggressive in AI product launches, even as internal cultural and leadership issues persist. Pichai, who has recently taken on a more direct role in AI product decisions, has acknowledged the challenges posed by Google's size. The company risks losing its dominance in the search market if it does not quickly and effectively implement generative AI. The disruptive potential of AI technology also threatens Google's core advertising business. Despite these challenges, there is cautious optimism about Google's ability to leverage its resources to succeed in the generative AI space.
* <https://www.reuters.com/breakingviews/google-will-struggle-with-apple-generated-ai-query-2024-04-05/> - Google, the leading online search company, faces a substantial challenge from the rise of artificial intelligence (AI) chatbots and competitors like Microsoft and OpenAI. Although Google has dominated the online search market with a 99% share in 2021, its share fell by three percentage points between early 2022 and late 2023. This decline indicates that users are open to exploring AI-based alternatives that provide direct answers rather than a list of URLs. Google's robust infrastructure, built on $280 billion spent on data centers and AI projects, gives it an edge, alongside its monopoly in online search habits. However, AI searches remain expensive and do not fit easily into Google's ad-based revenue model. The threat posed by Apple is particularly significant because iPhone users are crucial to Google's revenue. If Apple were to develop its own AI search tool using Siri, it could divert significant traffic from Google. Despite efforts to integrate AI into iPhones, Google's relationship with Apple remains fragile and essential for its future in the AI era.
* <https://www.ft.com/content/f01c6852-8aa6-4cc0-991d-38f15077ba92> - Microsoft and Alphabet have demonstrated impressive gains due to high corporate demand for their AI-powered cloud computing services. Their combined market value increased by over $250bn following their first-quarter results, which showed double-digit revenue growth exceeding analysts' expectations. Other tech companies, including Amazon and Nvidia, also saw their shares rise. Google, despite some concerns about AI investments, reported a 13% rise in advertising revenue, indicating continued strong search engine usage. Capital expenditures by major tech firms are expected to surge, with Alphabet alone planning a 50% increase to at least $48bn. The strong performance and optimistic spending plans of these tech giants suggest a potential rekindling of the AI-driven rally in the stock market.
* <https://www.axios.com/newsletters/axios-ai%2B-24e4bba4-64e1-4327-b941-b432636be467> - Apple's reported plan to integrate Google's generative AI on iPhones could attract significant antitrust scrutiny due to the competitive dynamics in the search market. Currently, Apple is in talks with both Google and OpenAI regarding potential AI collaborations. This move could extend the core search deal between Apple and Google, highlighting concerns of monopolistic practices, especially as a federal judge is deliberating on Google's monopoly abuse through deals with device makers. Meanwhile, Nvidia is capitalizing on the AI demand surge by unveiling its new Blackwell family of chips at its GTC developer conference, boasting more than 200 billion transistors. This development positions Nvidia strongly against competitors like AMD and niche AI chipmakers. Additionally, the Supreme Court is reviewing the extent of government interactions with social media platforms concerning misinformation, which could have far-reaching implications for public-private communication channels related to public health and election security. The ruling on this issue is anticipated by June.
* <https://www.axios.com/2023/05/23/anthropic-funding-series-c> - Anthropic, an AI startup based in San Francisco, secured $450 million in a Series C funding round. The investment was led by Spark Capital and included participation from Google, Salesforce Ventures, Sound Ventures, and Zoom Ventures. This funding round values Anthropic at over $4 billion, with a total of $1 billion raised, according to PitchBook. Founded by former OpenAI executives in 2021, Anthropic aims to compete with OpenAI, the creator of ChatGPT, as the competition in AI technology intensifies among big tech companies. Notable early investors in Anthropic include Facebook co-founder Dustin Moskovitz, former Google CEO Eric Schmidt, and FTX founder Sam Bankman-Fried.
* <https://www.reuters.com/breakingviews/alphabet-apple-have-cause-circle-ai-wagons-2024-03-18/> - Alphabet and Apple are negotiating a deal where Apple would license Alphabet’s AI models, Gemini, to enhance features on its iPhones. Alphabet pays Apple up to $20 billion annually to keep Google as the default search engine on Apple's devices, which accounts for a significant portion of Google's traffic and revenue. However, the rise of AI-powered chatbots like OpenAI's ChatGPT is threatening to disrupt Google's dominance in search. Apple, which doesn't yet have its own AI service, may leverage its vast user base and existing search deal with Alphabet to gain a stronger footing in AI. The potential agreement could benefit both companies, but it faces scrutiny from antitrust regulators who are already investigating their existing partnership for unfair practices.