Microsoft Advertising Insights

How COVID-19 has changed Australia's Automotive market

1. Automotive demand 2021
2. COVID-19 trends
3. Microsoft Automotive search trends
4. Used and electric car search trends
5. Key takeaways
Automotive demand in 2021
In Australia, the Automotive industry has started to rebound with pent-up demand converting to car sales

Source:
1. Pent up demand for off road adventures drives ARB sales rise, Oct 2020, The Australian
2. Luxury car market stirring as travel spend diverted (afr.com), Financial Review
Signs are showing we are nearing recovery, as car sales have increased the last four months

Key Drivers

- Cars market penetration grew in 2020 (+2% uplift since 2017)²

- Car stocks entering Australia increased +6.3% in Jan 2021 YoY³

- In response to the initial drop in sales, the government helped secure:
  - Instant asset write off March-Dec 2020
  - Temporary full expensing Oct 2020-June 2022

Source:
1. Federal Chamber of Automotive Industries, Australia
2. Datium insights
3. International Merchandise Trade, Australia, ABS
Household savings rates are higher than ever and purchase intent is growing

31%  
Non-car owners intend on purchasing a car in **next 6 months**\(^1\)

20%  
Car owners intend to purchase an additional vehicle

78%  
Will prefer travelling by car compared to public transport

Source:
1 Millennials to lead COVID-induced car ownership boom – EY survey
2 Australian Bureau of statistics, Household Saving Ratio, TradingEconomics.com
COVID-19 trends

“Two third Australian buyers began their car buying journey online (+5% uplift in 2019)”

Source:
1. Connect with the new digital car buyer, October 2020, Autotrader, Gumtree cars
Emerging consumer trends in the automotive market

People are more informed before entering a dealership

Research window is **6 weeks** on an average\(^1\)

Online showrooms and digital tools have become popular along the entire purchase funnel

**74%** of franchise dealers confirmed customers use digital tools\(^2\)

**51%** of customers are more likely to buy from a dealer having an online showroom\(^1\)

People deliberate on new and used car simultaneously

**57%** of car buyers considered both new and used cars\(^2\)

Source:
1. Connect with the new digital car buyer- Oct 2020, Autotrader, Gumtree cars
2. Cox Automotive Car Buyer Journey Study, Feb 2021
Microsoft Automotive search trends
Click volume is up year over year (YoY) and prices are low, take advantage of this opportunity with Microsoft Advertising.

Automotive performance continues to improve YoY:

- Users increasingly engage with our online ads
- CTR is up 1.9% YoY (higher than before COVID-19)

Tip:
Reach out to potential buyers cost effectively.

Source:
1 Microsoft internal data: Autos vertical Jan-2020 to Feb 2021
Most searches are for economy cars, although luxury cars are seeing the largest search growth YoY.

**Search volume share by car brand categories - Feb 2021**

- **Economy**: 50% (+9% Δ)
- **Generic**: 25% (+9% Δ)
- **Aggregator**: 9%
- **Luxury**: 16% (+14% Δ)

Source: 1 Microsoft internal data: Autos vertical Fan-2020 to Feb 2021
* Feb 2021 increase on Feb 2020
Utility vehicles and Large SUVs have gained popularity since COVID-19

**Search share by popular body type and brand class**

- **Economy**
  - Utility: 25% (Feb-20), 27% (Feb-21)
  - Medium SUV: 21% (Feb-20), 19% (Feb-21)
  - Small Passenger: 20% (Feb-20), 18% (Feb-21)
  - Compact SUV: 17% (Feb-20), 13% (Feb-21)
  - Large SUV: 9% (Feb-20), 12% (Feb-21)
  - Sport: 8% (Feb-20), 11% (Feb-21)

- **Luxury**
  - Large SUV: 28% (Feb-20), 30% (Feb-21)
  - Medium SUV: 17% (Feb-20), 22% (Feb-21)
  - Compact SUV: 18% (Feb-20), 16% (Feb-21)
  - Sport: 12% (Feb-20), 16% (Feb-21)
  - Medium Passenger: 11% (Feb-20), 13% (Feb-21)
  - Small Passenger: 9% (Feb-20), 8% (Feb-21)

**Tip:** Use our in-market audiences and remarketing features to capture the customers searching for Autos

Source:
1 Microsoft internal data: Autos vertical Jan-2020 to Feb 2021
2 out of every 3 auto searches on Microsoft Advertising contains brand and model terms.

**Search volume share by search query type - Feb 2021**

- **Brand_Generic**: 37%
- **Brand_Model**: 32%
- **Generic**: 23%
- **Location**: 4%
- **Second Hand**: 3%
- **Part And Accessories**: 1%

*Source:* 1. Microsoft internal data: Autos vertical Fan-2020 to Feb 2021
2. Cox Automotive car buyer journey report, Feb 2021

**Did you know...?**

“65% of car buyers are undecided on which vehicle type to purchase in the beginning of shopping process”²

**Tip:**

Ensure your campaigns have full coverage on your brand, available models and generic body type to target the right customers.
3rd Party Sites are taking customers from Original Equipment Manufacturers (OEMs) and other categories.

In January 2021 alone, OEM’s and local dealerships lost 3% search share each to 3rd party sites.

Ad click volume is up 71% since December and third party sites are leading in click share.

**Note: Third party sites refer to online retailers (not specific to a certain brand), while OEM refers to Original Equipment Manufacturers (specific car brands).**

Source:
1. Microsoft internal data, Auto Vertical, Jan 2020 to Jan 2021
Within Microsoft Advertising, searches surged 51% 1 month before EOFY (end of fiscal year)

**PRO TIP:** Make sure to increase your budgets 1-2 month prior to peak seasonality, to capture the surge in clicks accurately

Source:
1. Microsoft internal data, Jan 2019-Dec 2020
Used and electric car search trends
+29% increase in used car searches in Jan 21 compared to previous year

3% of total searches on MSA

+72% increase in electric cars and hybrid car searches

0.3% of total searches on MSA

"Men are more likely to purchase used cars and electric vehicles compared to women"

Source:
1 Microsoft internal data : Autos vertical Jan-2020 to Jan 2021
2 "Men are more likely to purchase electric vehicles compared to women"
Searches containing “sales” and “deals” are up +19% and +12% from previous month

Two-thirds of the touch points during the active-evaluation phase involve consumer-driven activities such as internet reviews and word-of-mouth recommendations from friends and family.

Tip:
Optimize your ads with review extensions to make them more relevant.

Source:
1 Microsoft internal data: Autos vertical Jan-2020 to Feb 2021
2 The consumer decision journey | McKinsey
Stay connected with your customers by using Microsoft search coupled with Microsoft Audience Network to stay ahead of your competitors

“Automobile shoppers added 2.2 brands to their initial consideration set of 3.8 brands during active consideration stage.”

Source: The consumer decision journey | McKinsey
Audience ads significantly improve engagement at every step of the marketing funnel for Autos

**AWARENESS**

Lift in brand awareness per user for Autos, measured by post-exposure brand search rate = 2.4x

**CONSIDERATION**

Lift in brand consideration per user for Autos, measured by post-exposure domain visitation rate = 6.6x

**CONVERSION**

Lift in brand purchase per user for Autos, measured by post-exposure conversion page visit rate = 3.8x

Source: Microsoft internal data: Autos vertical, USA

Notes: Results may vary for each advertiser based on campaign settings, targeted audiences, and other factors. Lift metrics represent an average of all advertisers with completed lift studies to date (Feb. 2021). These advertisers may be a non-representative sample of all advertisers on the marketplace. Lift measured between exposed users and a control group of eligible unexposed users, with lift represented on a per-user basis. Average user count per advertiser study = 795K
Reach users across both the search & Audience Network to maximize performance

- **Search Only**
- **Native Only**
- **Both Search & Native**

### Higher Visitation Rate
2.2x
**Higher visitation rate vs. only Search ad exposure**

### Higher Conversion Rate
3.6x
**Higher conversion rate vs. only Search ad exposure**

Users exposed to both Microsoft search ads & Audience ads are **more likely to visit an Auto advertiser’s website** compared to those who are exposed to only one type of ad.

Layer additional audiences, such as Remarketing & In-Market Audiences for a more targeted reach.

Source:
1 Microsoft internal data: Autos vertical, USA

Notes: Results may vary for each advertiser based on campaign settings, targeted audiences, and other factors. Lift metrics represent an average of all advertisers with completed lift studies to date (Feb. 2021). These advertisers may be a non-representative sample of all advertisers on the marketplace. Lift measured between exposed users and a control group of eligible unexposed users, with lift represented on a per-user basis. Average user count per advertiser study = 795K.
Auto advertisements have higher engagement rates for a lower cost than other categories on the Microsoft Audience Network.

Auto cost per click (CPC) is 57% lower* than all other channels.

Auto cost per impression (CTR) is 51% higher* than all other channels.

Source:
1 Microsoft internal data: Autos vertical Oct 2020 to March 2021, AU
* March 2021 comparison
Key takeaways and recommendations

1. As the market is rebounding, the search volume for car sales has increased. Respond to increasing consumer demand early and benefit from softer competition.

2. Ensure your campaigns have full coverage on your brand, available models and generic body type keywords, since 2 out of every 3 auto searches on Microsoft Advertising contains brand and model terms.

3. Car sales follow seasonal trends; enhance your bids 1-2 months prior to peak seasonal sales period to capture the surge in clicks at cost effective CPCs.

4. The market is shifting toward electric and hybrid cars, with a 72% increase YoY in searches.

5. Use Audience network and search together to maximize customer performance.
To get actionable data, insights and best practices to help make decisions and grow your business, visit MicrosoftAdvertising.com/Insights
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