Microsoft Advertising Insights

Uncovering the value of search in CPG advertising

Microsoft Advertising. Intelligent connections.
Agenda

1. Challenges CPG advertisers are facing
2. How search can help with these challenges
3. The unique value of Microsoft Advertising
The top challenges CPG marketers face in 2021
The top challenges for CPG advertisers have not changed, but the pandemic has amplified concerns even more.

- The even more rapid transformation of CPG commerce to digital channels.
- The ability for smaller brands and start-ups to micro-target consumer segments with cheap capital to capture market share from larger brands.
- The continued adoption of value-driven consumption and the need for CPGs to personalize messaging to build brand connections.
The pandemic digitalized CPG consumption earlier than anticipated

Recent developments in CPG consumer patterns

- 40% of US households which shop for CPG products both in person and online, an increase of 13% year over year (YoY)
- 15 million new customers have shopped for CPG products digitally since March 2020
- $110 billion dollars spent on CPG products via online channels over the past year, a 50% increase YoY

Source: Technology Adoption Is Driving an e-Commerce Boom, Nielsen IQ, Feb. 25, 2021
Despite the increased overall CPG sales since the pandemic, only smaller brands gained new market share.

CPG market share in 2019 & 2020 by company size & type.

Source: CPG Outlook: COVID-19’s impact on demand and costs, McKinsey, Mar. 12, 2021
As direct-to-consumer (D2C) sales become more popular, the importance of using first party data to build relationships rises.

Source: Direct-to-Consumer (D2C) eCommerce Sales, US, eMarketer, Feb. 2021
How search can help address CPG marketing needs
Imagine you’re in a grocery store making your regular purchases.

You’re a conscientious shopper so you’re looking for brands that match your values – ethically sourced and environmentally friendly. You’re also looking for a good price.

How do you find what you want?
With more consumers shopping online in 2021, searches are climbing

Indexed CPG vertical search volume
(first 10 weeks of 2020 and 2021)

+25.8%
average weekly search volume increase

Source: Microsoft Internal Data, Jan. 2020 – Mar. 2021
Clicks are also growing as CPG advertisers are reaching consumers in real time

Indexed # of advertisers with ≥1,000 monthly clicks in CPG categories

+17.6% average weekly search volume increase

Source: Microsoft Internal Data, Jan. 2020 – Mar. 2021
Serving the right ads to audiences researching CPG products will strengthen relationships and improve performance

1. Ad serving increases the likelihood users will search for your specific brand in the future.

2. Ad serving increases the likelihood users will visit your brand’s website in the future, even if they do not click on an ad.

3. Ad serving increases the likelihood users will visit your brand’s product pages on retail websites.
Targeting non-brand searchers largely increases your likelihood of future brand searches

Average probability users will run a future brand search based on non-brand ad serving

- Not Exposed to Ad: 6.93%
- Exposed to Ad: 17.73%
  
  +157%
Even users who do not click are 87% more likely to visit your website after ad exposure.

Average probability users will visit CPG brand website based on non-brand ad serving:
- Saw No Ad: 0.15%
- Saw Ad: Non Clickers: 0.28%
- Saw Ad: Clickers: 4.76%

Source: Microsoft Internal Data, Nov. 2020 – Feb. 2021
Delivering ads to non-brand searchers increases the likelihood of being considered by 351%.

Average chance users will run a future brand search based on non-brand ad serving

- Not Exposed to Ad: 0.39%
- Exposed to Ad: 1.76%

+351%

Source: Microsoft Internal Data, Nov. 2020 – Feb. 2021
If you don’t engage with consumers searching for CPG products, your competitors will

Likelihood of future competitor brand searches based on first CPG search ad interactions

Source: Microsoft Internal Data, Nov. 2020 – Feb. 2021
## Search is crucial to CPG success

<table>
<thead>
<tr>
<th>CPG Challenge</th>
<th>Value of Search</th>
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<tbody>
<tr>
<td>The acceleration of CPG eCommerce buying</td>
<td>Search helps influence consumers throughout the conversion funnel, even when they make purchases elsewhere</td>
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<tr>
<td>The continued success of smaller brands in capturing market share</td>
<td>Search helps large CPG brands defend territory against the smaller digital native brands looking to grab attention</td>
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<tr>
<td>The continued success of smaller brands in capturing market share</td>
<td>Search brings the most relevant potential consumers available to your site so you can build long-lasting, lucrative relationships</td>
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Why Microsoft Advertising
If you’re not on the Microsoft Search Network, you’re missing out on over 46,000,000 searchers not found on Google.

Unique searchers on Bing spend 30% more than the average internet user.

Source: comScore qSearch, explicit core search (custom), Dec 2020
Bing searchers lean toward PC traffic, a short-term benefit to CPG marketers

### Distribution of US retail website visits and orders (3rd quarter 2020)

<table>
<thead>
<tr>
<th>Device</th>
<th>Traffic Share</th>
<th>Order Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>PC</td>
<td>27%</td>
<td>42%</td>
</tr>
<tr>
<td>Smartphone</td>
<td>71%</td>
<td>56%</td>
</tr>
<tr>
<td>Tablet</td>
<td>2%</td>
<td>2%</td>
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### Average value of US online shopping carts (2nd quarter 2020)

<table>
<thead>
<tr>
<th>Device</th>
<th>Average Value</th>
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<tbody>
<tr>
<td>PC</td>
<td>$131.16</td>
</tr>
<tr>
<td>Smartphone</td>
<td>$96.75</td>
</tr>
<tr>
<td>Tablet</td>
<td>$90.82</td>
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</tbody>
</table>

Source: U.S. online retail website visits and order & average online shopping order value 2020, Statista, Feb. 2021
Reaching users on Microsoft Advertising combines user purchase potential, timing, and scale more efficiently than other channels.

Search volume & searching users by day from a recent Beauty & Personal analysis.

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<tr>
<th>Takeaways</th>
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To get actionable data, insights and best practices to help make decisions and grow your business, visit MicrosoftAdvertising.com/Insights