



Microsoft Advertising Insights

Back-to-School (BTS) insights for the fall of 2021

Microsoft Advertising. Intelligent connections.



Agenda



1 Market news



2 Shopper outlooks



3 Categorical trends



4 Audience trends



5 Checklist

Market news



COVID's impact on U.S. schools is beginning to lessen

Early 2020

- 3/11 – World Health Organization declared COVID-19 a pandemic.
- 3/16 – more than half of all students in the U.S. had been impacted by school closures.
- 3/25 – **All U.S. public school buildings closed.**
- 5/6 – All but 2 states, WY and MT, closed their schools for the remainder of the 2019-2020 school year.

- 8/17 – only 4 states (TX, FL, IA, AR) mandated in-person learning at start of fall semester or new 2020-2021 school year.
- 10/5 – **hybrid learning dominated.**
- 12/11 – FDA gave Pfizer emergency use authorization.
- 12/14 – vaccine distribution began.
- 12/18 – FDA gave Moderna emergency use authorization.

Late 2020

Early 2021

- 2/27 – FDA gave J&J emergency use authorization.
- 3/2 – declaration of educators as essential service to prioritize them getting vaccinated.
- 4/19 – **vaccine eligibility opened** to 16-years-old & up.
- 5/10 – FDA expanded Pfizer vaccine's emergency use authorization to include 12–15-year-olds.

Most Recent

- 5/13 – CDC announced that fully vaccinated individuals do not have to wear a mask indoors or outdoors.
- 5/30 – **51% of U.S. adults and 40% of entire U.S. population fully vaccinated.**
- 6/4 – Big box retail stores shift their promotional dates.

With encouraging COVID-19 numbers, schools are planning to return to in-person this fall



% of schools by state by current operating status (fully remote, hybrid, fully in-person)₁



K – 12 public schools:

Expected to go back to in-person learning for the 2021-2022 academic year, following the announcement of plans for two of the largest K-12 public school districts in the country (LA and NYC) to return full-time to in-person learning this August.₂

**Due to the paid nature of daycares, colleges, universities, and private institutions, nearly all had already resumed in-person operations in early 2021 and plan to continue to do so.

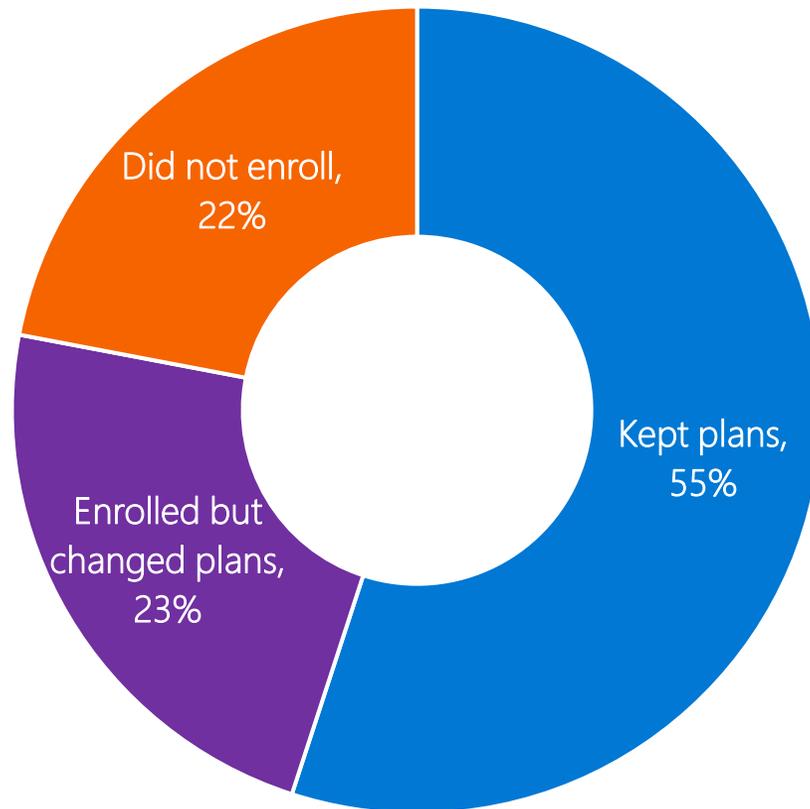
Sources: ₁ www.returntolearntogether.com from 5/10/2021

₂ Washington Post 'America's largest school systems announce full-time return to in-person learning this fall' 5.24.2021

Expect a bigger college crowd post COVID-19



% of high school seniors who applied to college for the 2020-21 school year



Admissions stop requiring SAT or ACT:

More college students are expected to enroll this fall, which may be partially due to standardized testing becoming optional. The University of Texas reported a 23% YoY increase from 2019-2020 compared to 2021-2022 in the number of applications received for the upcoming school year.²

Start requiring COVID-19 vaccinations:

As of 5/22/2021, 10% of the nation's colleges and universities are requiring COVID-19 vaccinations.³

Sources: ¹ National Association for College Admission Counseling

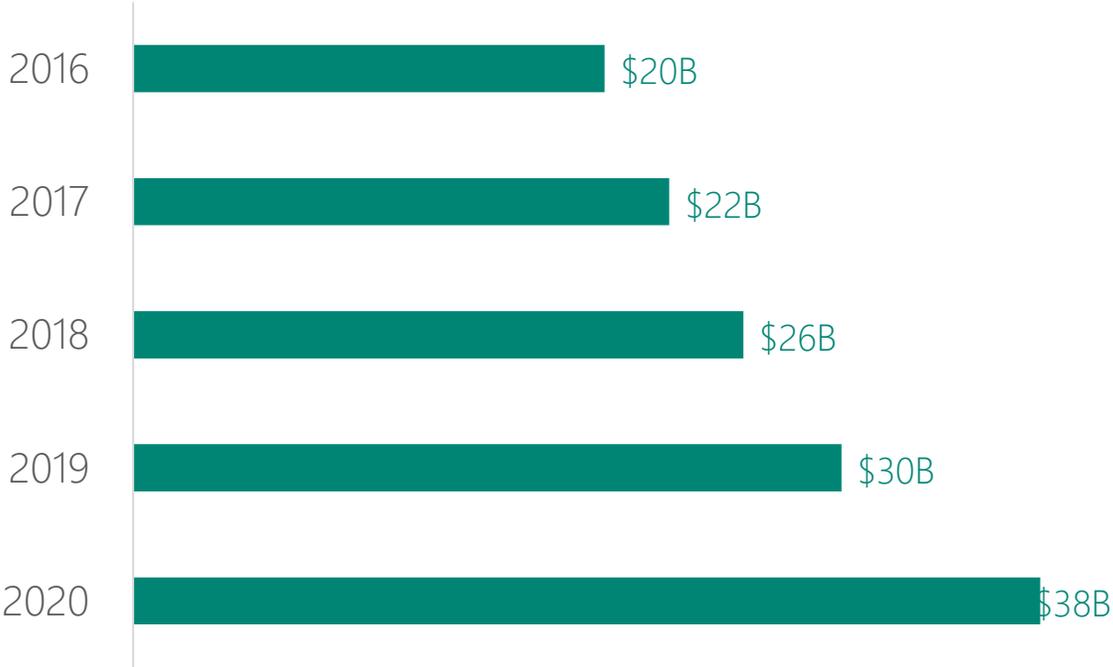
² National Student clearinghouse/community impact newspaper, May 2021

³ For Colleges, Coronavirus Vaccine Mandates Often Depend on Which Party Is in Power - The New York Times (nytimes.com), 5.22.2021

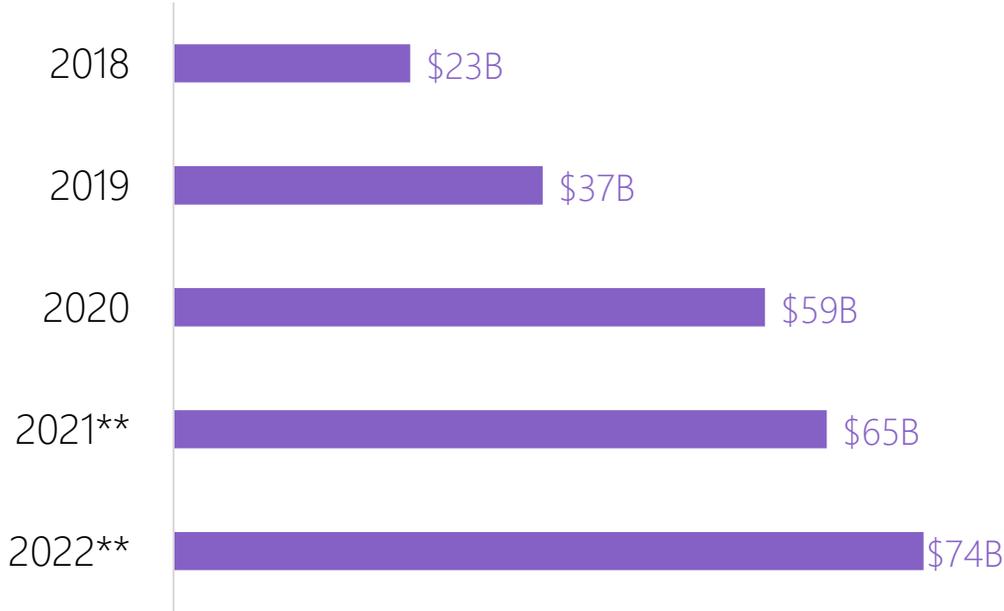
Popularity and convenience of eCommerce and “buy-online-pickup-in-store” (BOPIS) to continue for BTS



Retail eCommerce BTS U.S. Sales₁

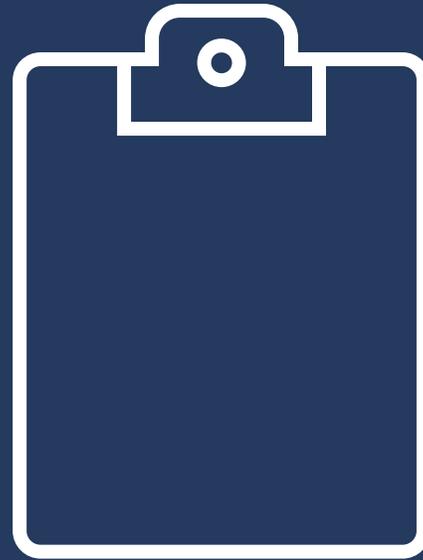


BOPIS Retail Sales in the U.S.₂



Sources: ₁ eMarketer September 2020
₂ eMarketer May 2021

BTS shopper outlooks



Elevated BTS activity is evident as students, teachers, and parents/guardians have resumed, or plan to start the 2021-2022 academic year, in-person.¹

Our relevant 1st party audiences collectively grew 6.7% MoM.²

Audience Network click volume for BTS categories increased 21.1% MoM.²

Sources:

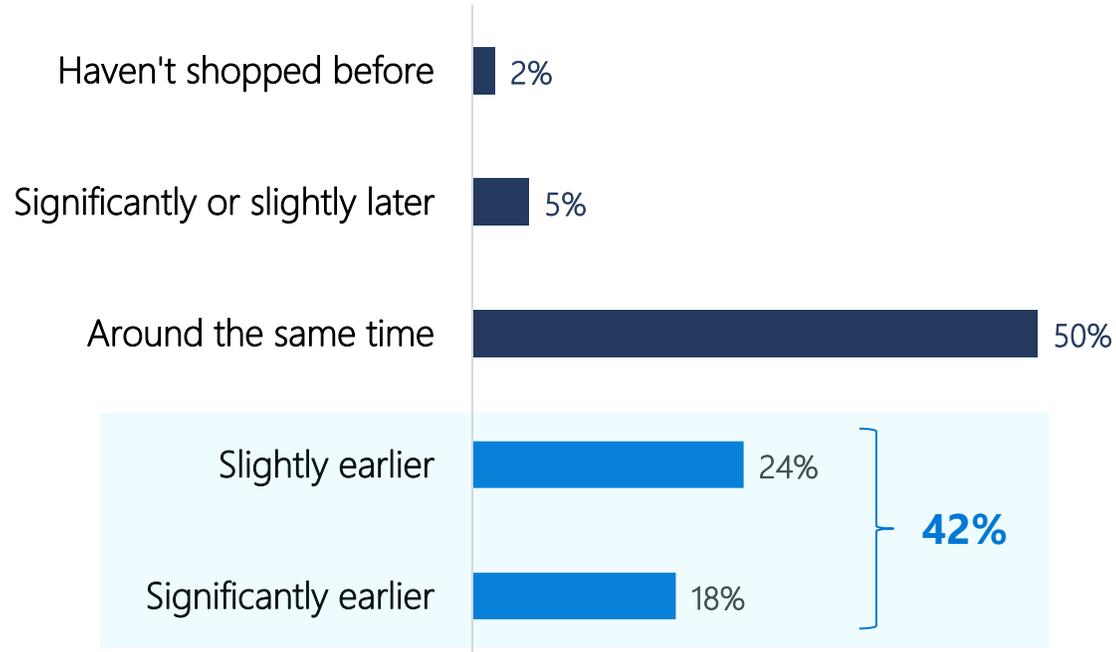
1. "Return to Learn Tracker". *Change in Instructional Status*, 10 May 2021, www.returntolearntracker.net. Accessed 10 May 2021
2. Microsoft internal data; Mar. 2021 vs. Feb. 2021 (MoM= month-over-month)



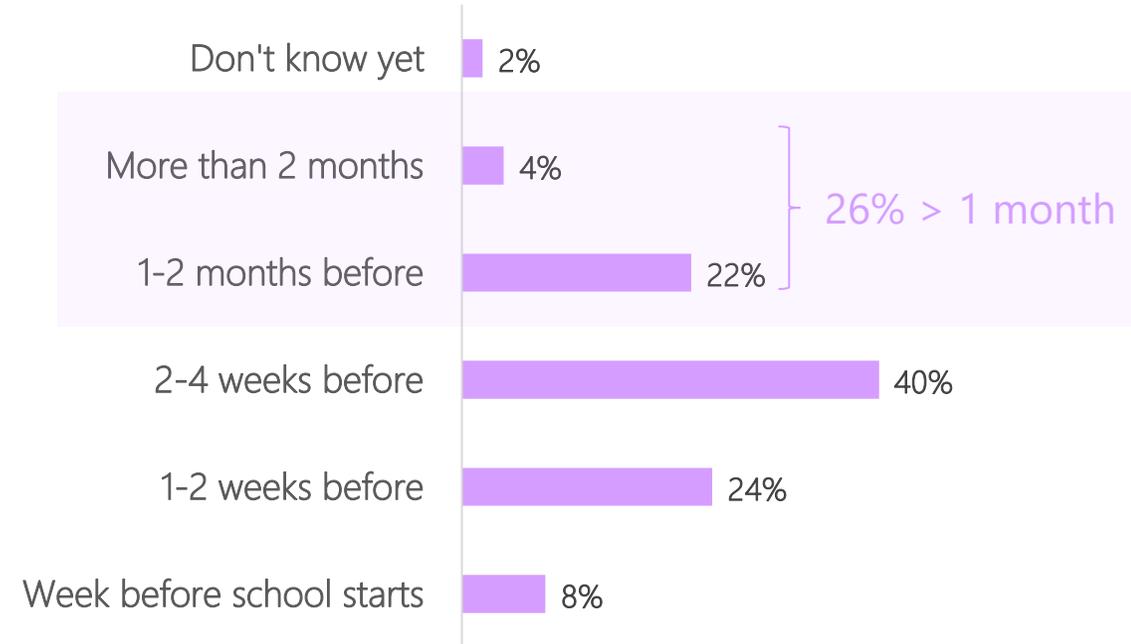
Almost half of BTS shoppers plan to **shop earlier** this year



% of surveyed respondents on when they intend to start BTS shopping *compared to previous years*



% of surveyed respondents on when they plan to start BTS shopping this year

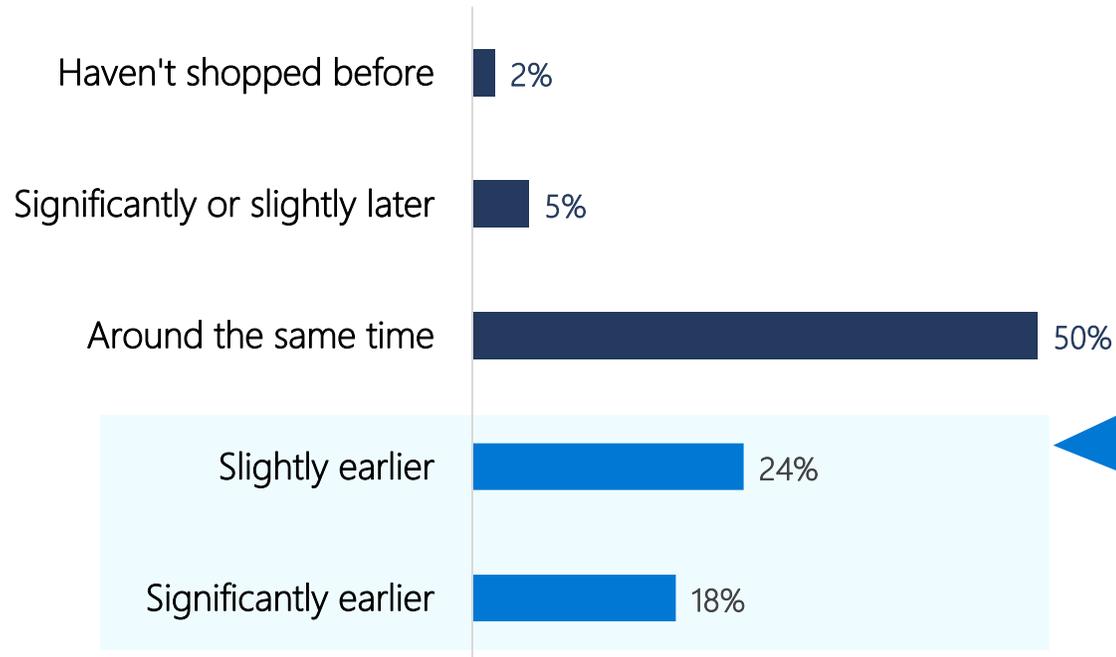


Source: Microsoft commissioned online survey taken 5.4-5.10.2021 of 1,021 U.S. respondents who are back-to-school shopping as a parent/guardian

Anticipate promotions and out-of-stock concerns to drive BTS sales for those shopping earlier



% of surveyed respondents on when they intend to start BTS shopping *compared to previous years*



"With the covid and our area being smaller the shelves go bare fast"

"I am planning to shop early to take advantage of deals"

"Because last year I started to close to school starting and everything I needed was almost out of stock or gone already"

"Lower prices"

"I am planning on shopping earlier because there is a pandemic"

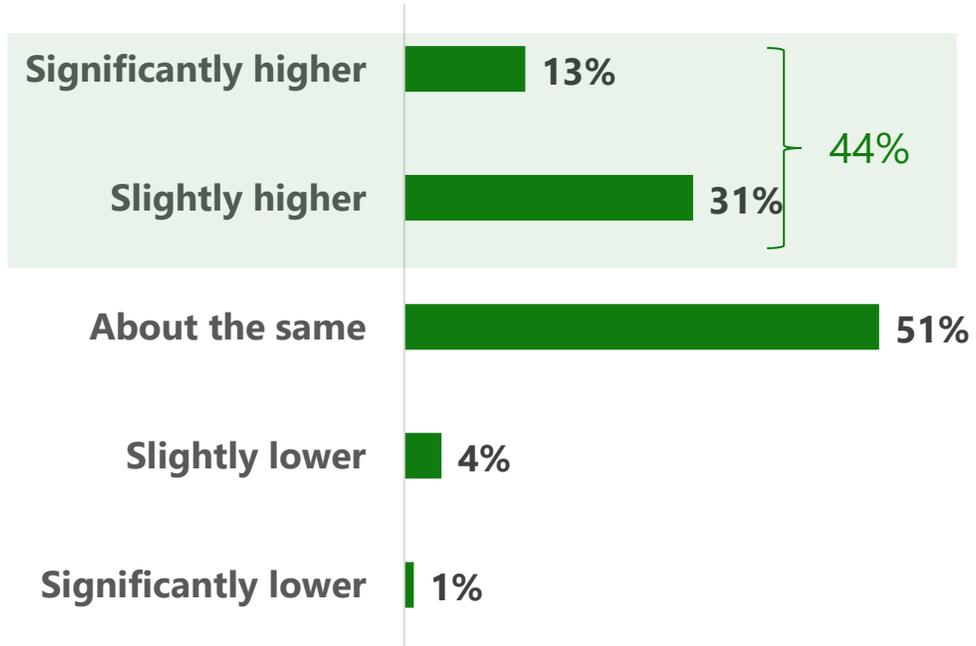


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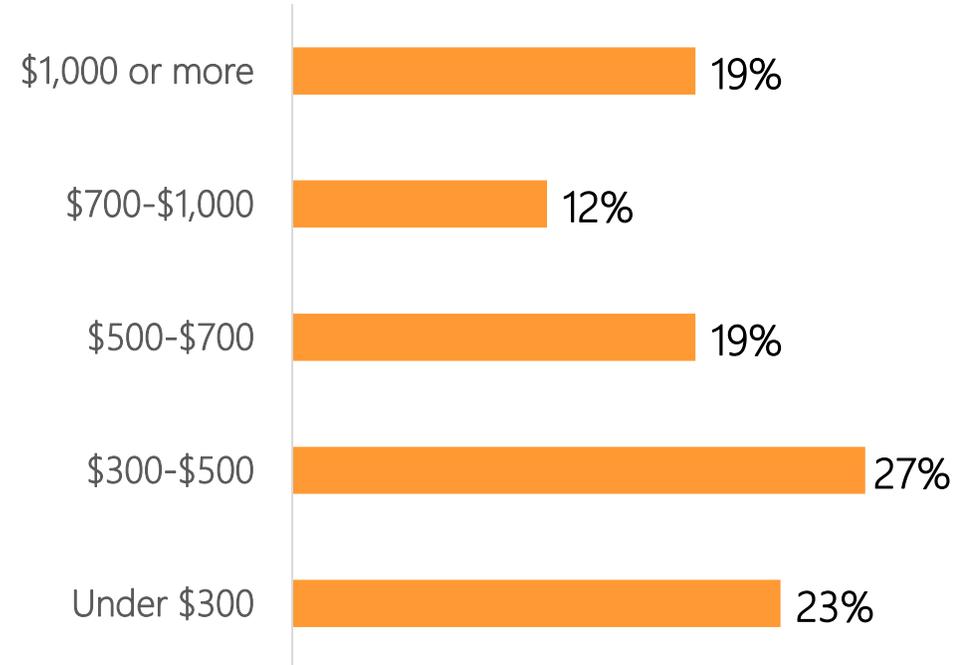
44% of BTS shoppers intend to **spend more** than last year



% of surveyed respondents on what they intend to spend on BTS shopping *compared to previous years*



% of surveyed respondents on how much they plan to spend on BTS shopping this year

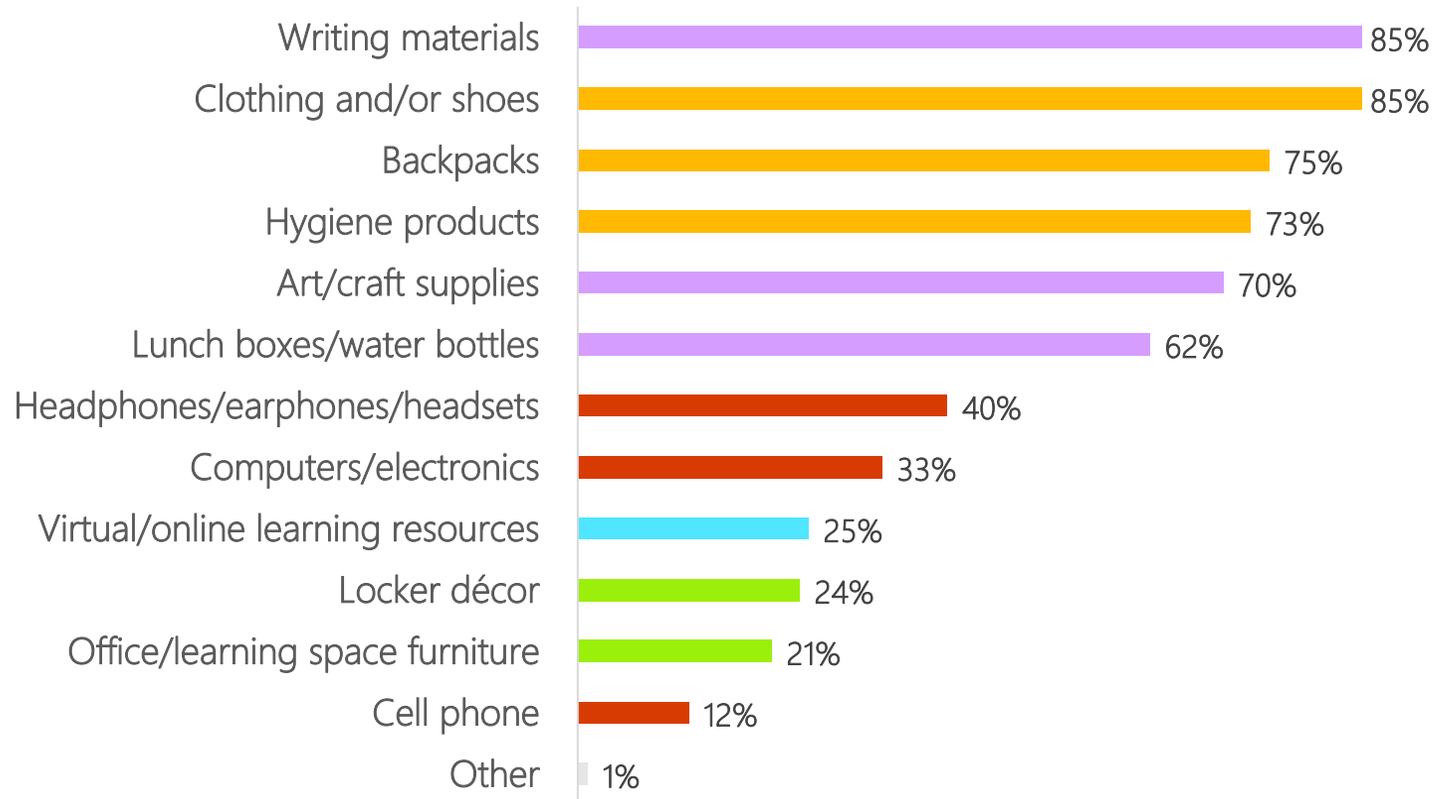


Source: Microsoft commissioned online survey taken 5.4-5.10.2021 of 1,021 U.S. respondents who are back-to-school shopping as a parent/guardian

The increase in spending is likely due to a longer-than-usual shopping list of BTS items



% of surveyed respondents on what BTS items they intend to buy this year



Almost all shoppers intend to buy **wearables** such as clothing, shoes, backpacks, and hygiene products.

Majority of shoppers will also be buying general **office materials** items like pens, paints, lunch boxes, and water bottles.

Education's digital dependency seen as multiple **devices** like computers and phones make the list.

1 in 4 looking for **learning resources**.

Over 20% need **furnishings** for their own learning spaces.



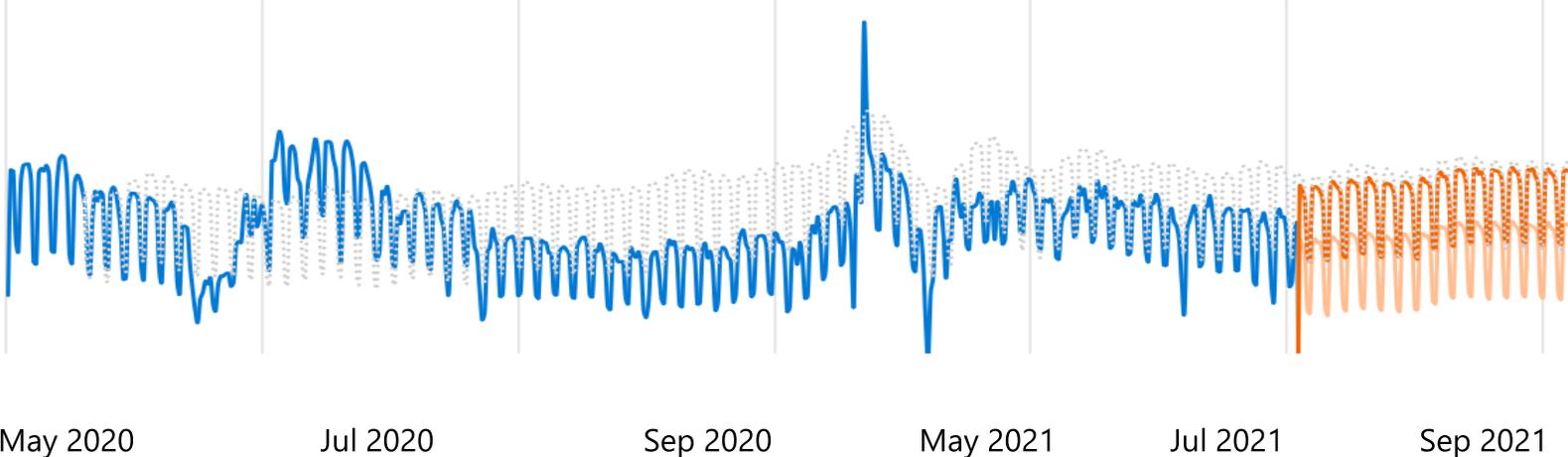
BTS categorical trends



Personal care and beauty products demand to rebound back to normal this BTS season



Beauty & Personal Care



YoY May-Sept clicks	Least	Most
vs No COVID	-28%	-30%
vs 2020	41%	55%
vs 2019	21%	34%

Blue solid line shows actual click volume.
 Grey dotted line is our click volume forecast without the effect of COVID-19 and what would have been "normal" seasonality.
 Dark orange solid line is our most optimistic forecast of click volume factoring in COVID-19 case data and sensitivity to its past relationship with volume.
 Light orange solid line is our least optimistic forecast of click volume factoring in COVID-19 case data and sensitivity to its past relationship with volume.

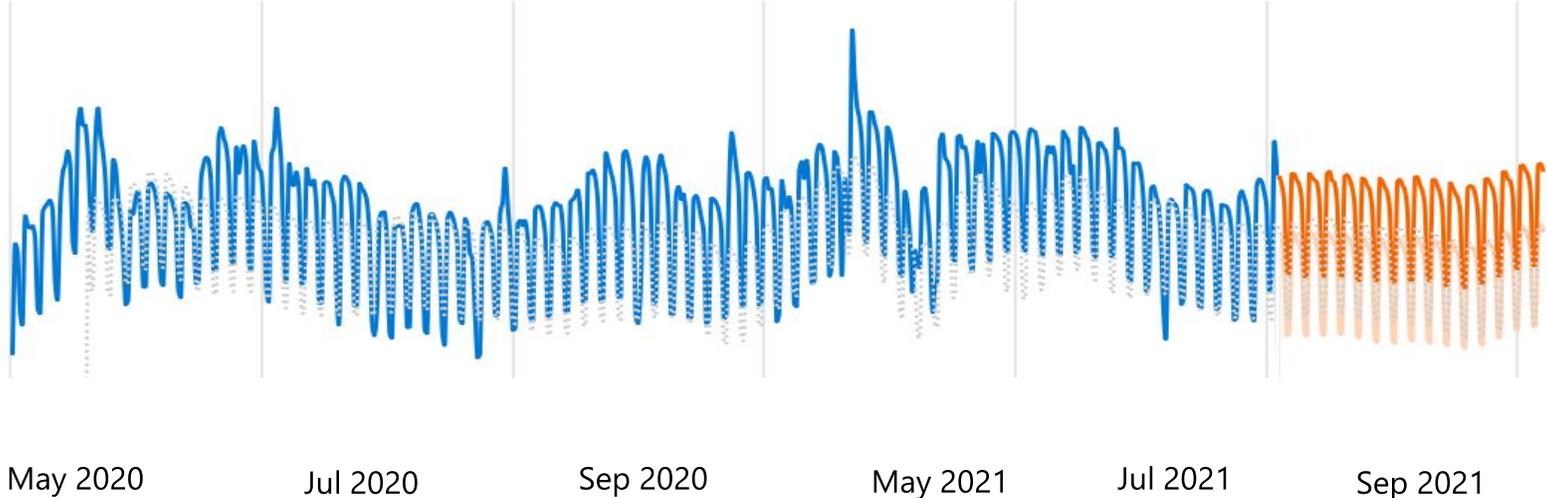
Source: Microsoft internal data from 2018-2021; U.S. only



No matter grade level, *computers* vastly needed amongst shoppers



Computers



YoY May-Sept Clicks	Least	Most
vs No COVID	35%	66%
vs 2020	-1%	23%
vs 2019	-6%	15%

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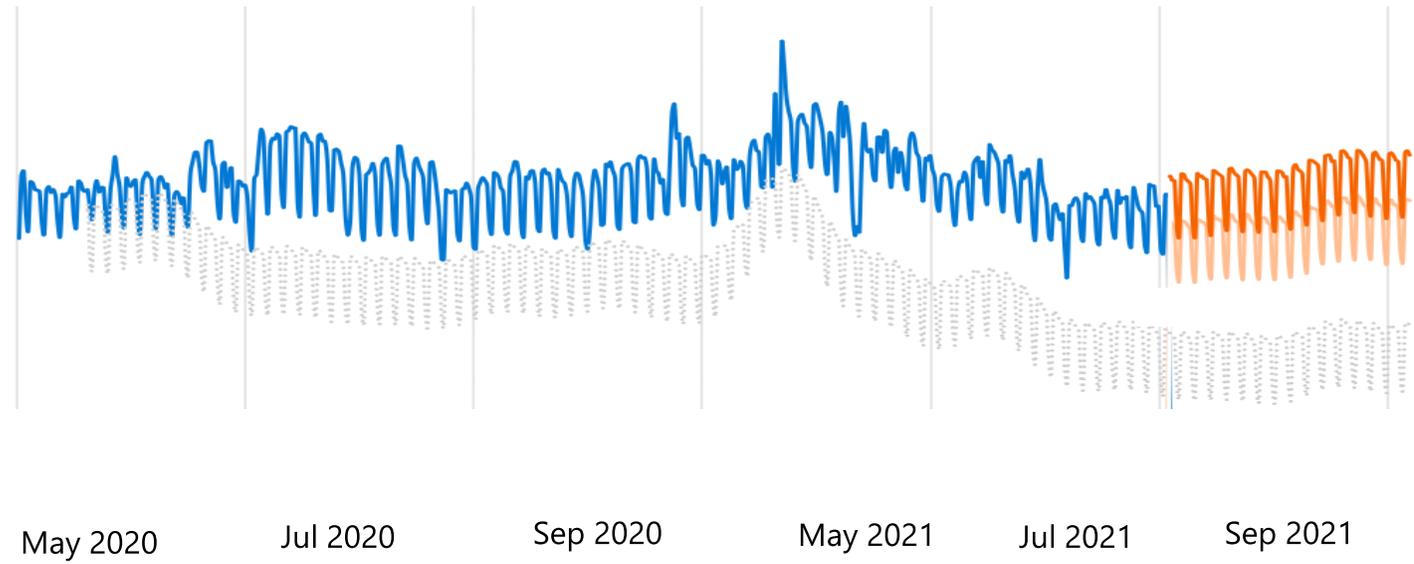


Source: Microsoft internal data from 2018-2021; U.S. only

Tablet devices are an item which BTS shoppers will be more likely to buy this year



Consumer Electronics



YoY May-Sept Clicks	Least	Most
vs No COVID	57%	92%
vs 2020	-12%	41%
vs 2019	10%	29%

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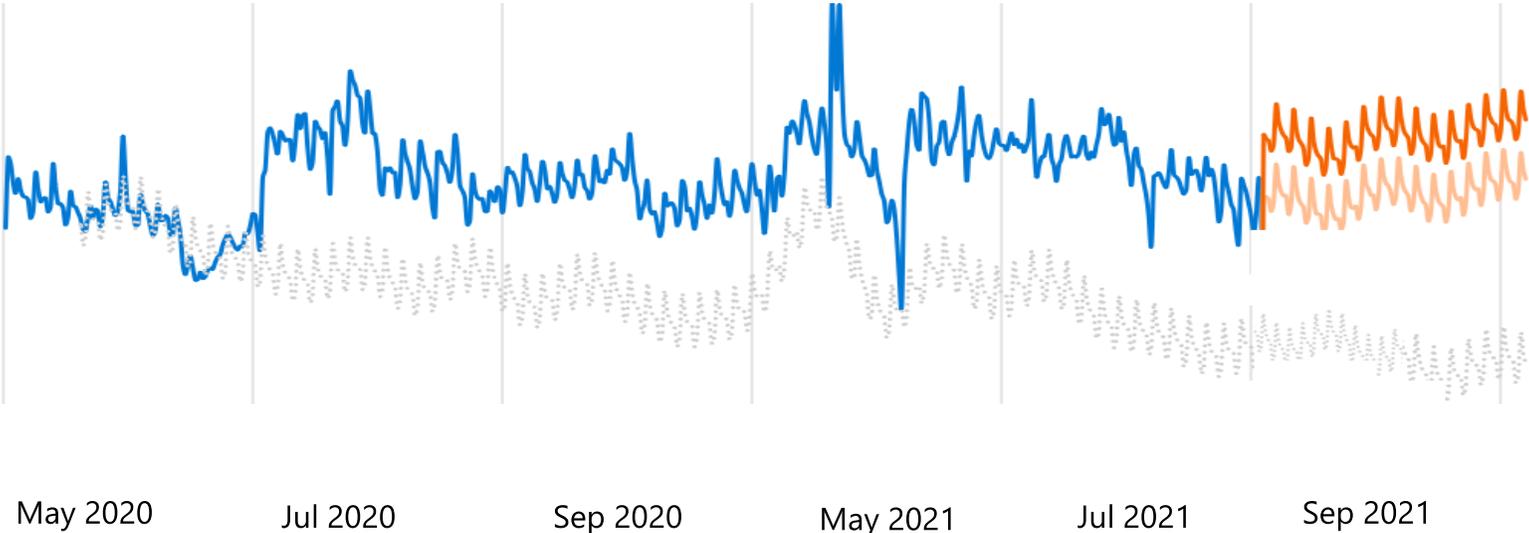
Source: Microsoft internal data from 2018-2021; U.S. only



Furniture from desks to chairs continue to have high demand



Furniture



YoY May-Sept Clicks	Least	Most
No COVID	111%	130%
vs 2020	87%	96%
vs 2019	61%	70%

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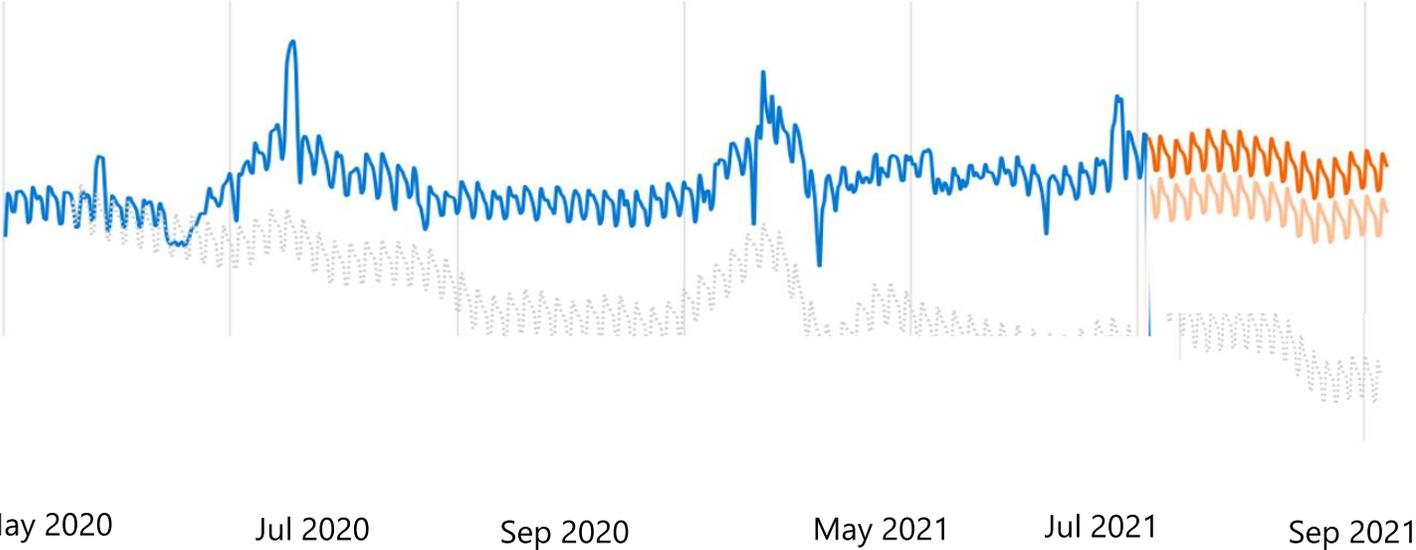
Source: Microsoft internal data from 2018-2021; U.S. only



Whether decorating for dorms or home school, *décor* continues to outpace pre-COVID levels



Home Décor



YoY May-Sept Clicks	Least	Most
vs No COVID	103%	132%
vs 2020	82%	79%
vs 2019	34%	41%

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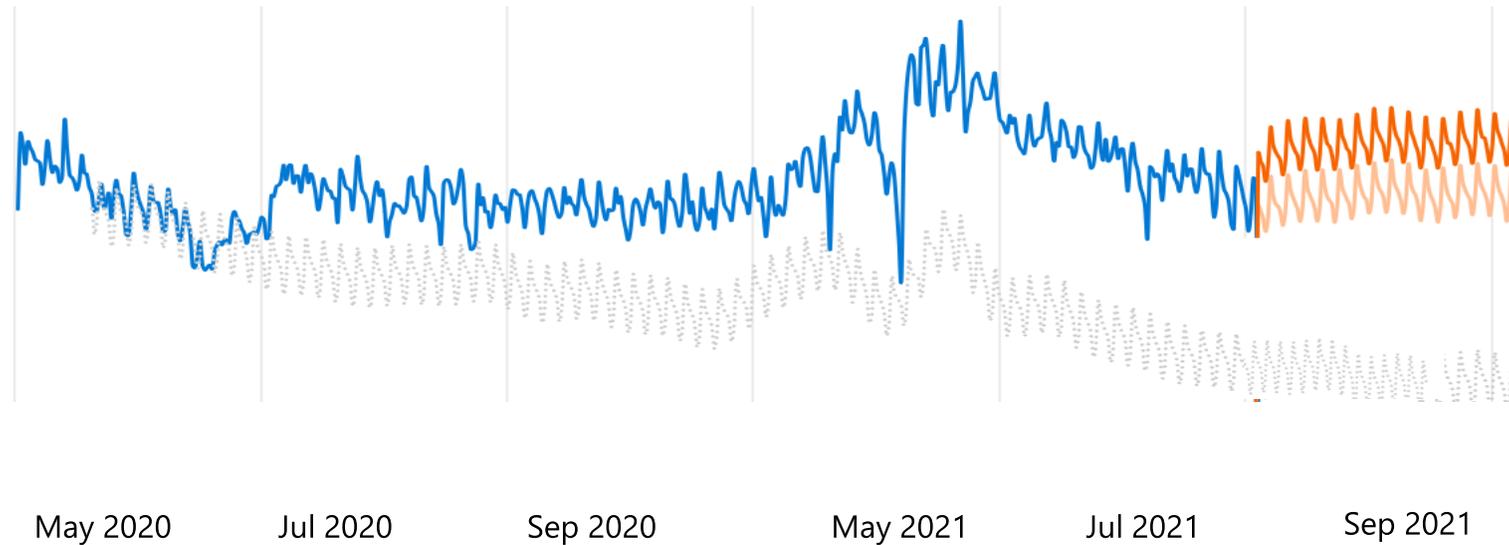
Source: Microsoft internal data from 2018-2021; U.S. only



Maximizing space concerns among students in dorms and hybrid or full-time home schoolers raise *organization* needs



Home Storage & Organization



YoY May-Sept Clicks	Least	Most
No COVID	93%	110%
vs 2020	70%	77%
vs 2019	54%	63%

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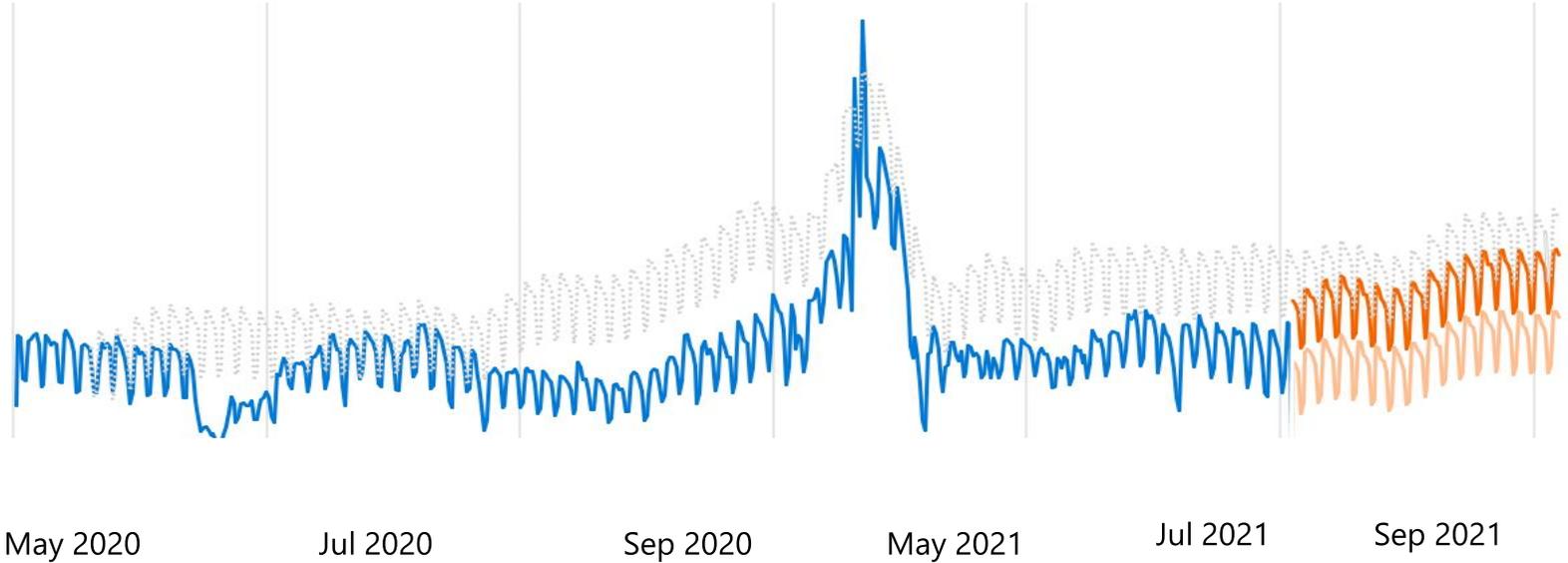
Light orange solid line is our least optimistic forecast of click volume factoring in COVID-19 case data and sensitivity to its past relationship with volume.



Clothing should rise as schools resumes with uniforms and jeans becoming more essential



Clothing



YoY May-Sept clicks	Least	Most
vs No COVID	-39%	-44%
vs 2020	-3%	-13%
vs 2019	11%	36%

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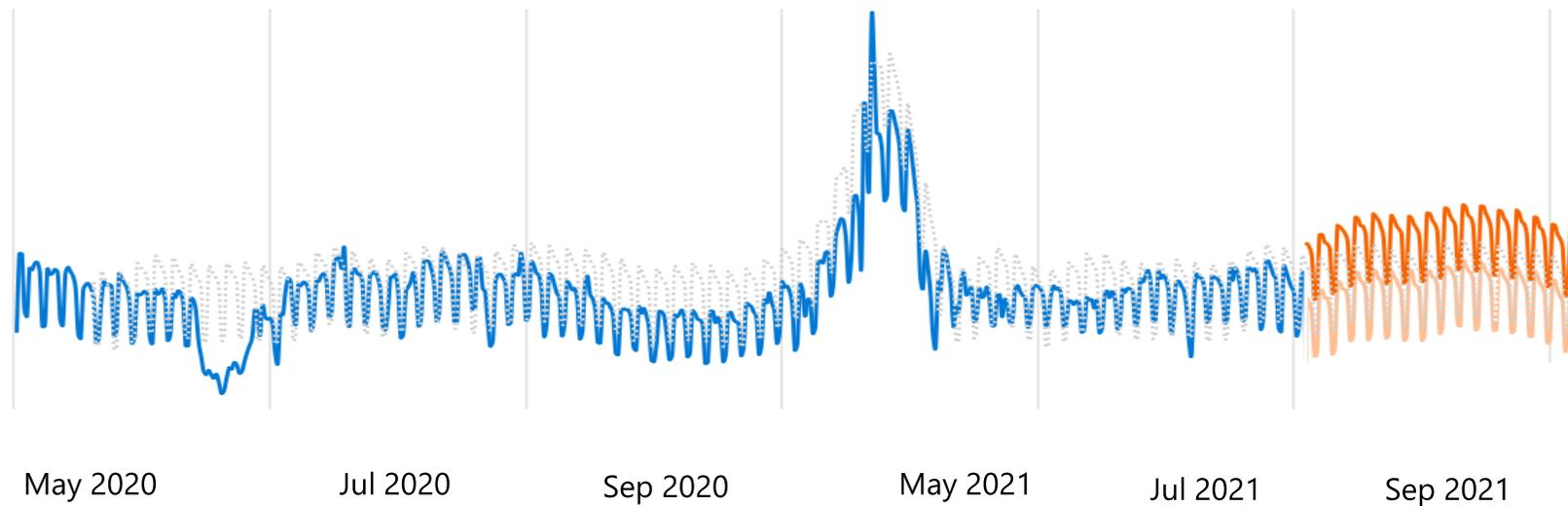
Source: Microsoft internal data from 2018-2021; U.S. only



Shoppers look to *Apparel & Accessories* to return to school as backpacks and bags are popular items



Apparel & Accessories



YoY May-Sept clicks	Least	Most
vs No COVID	-8%	-17%
vs 2020	-12%	9%
vs 2019	14%	22%

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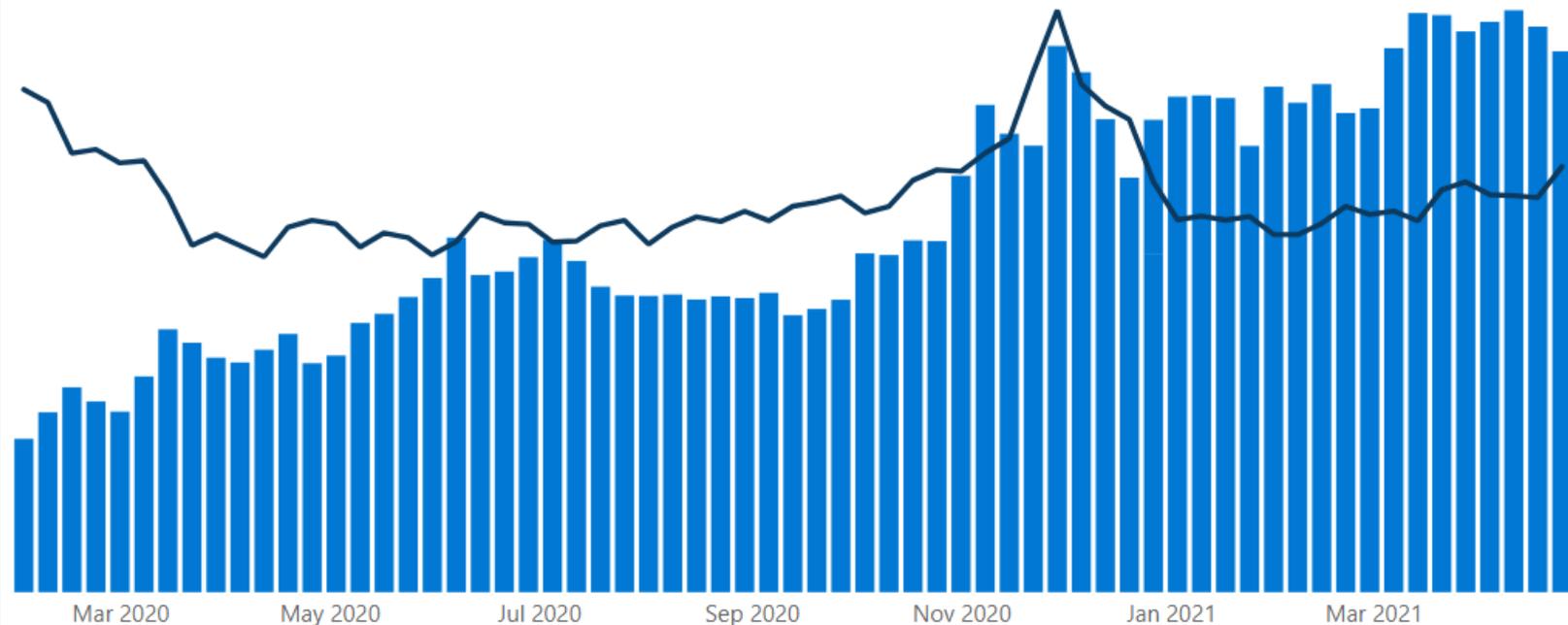
Audience Trends



Audience Network numbers will climb further as they have seen elevated volume.

Click volume across BTS categories on our Audience Network has been trending hot as we enter BTS season.

Microsoft Audience Network clicks vs. cost-per-click



Source: Microsoft internal data; US, Mar. 2020 – Apr. 2021



Audience Network ads drive a lift in performance across awareness, consideration, and purchase behavior

Retail – Department Store/Big Box Ad Effectiveness Study



Audience Network

+3.2x

AWARENESS

Measured by post-exposure brand search rate

+3.4x

CONSIDERATION

Measured by post-exposure domain visitation rate

+4.6x

CONVERSION

Measured by post-exposure conversion page visit rate

Source: Microsoft internal data; 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 (Mar. 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 = 4.7M.

Maximize performance by combining Microsoft Search and Audience Network strategies

Retail – Department Store/Big Box Ad Effectiveness Study



2.4x

Higher visitation rate
vs. only Search ad exposure



4.6x

Higher conversion rate
vs. only Search ad exposure

Source: Microsoft internal data; 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 (Mar. 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 = 4.7M.



BTS summary and checklist





Nationwide, schools have either already reopened or plan to commence the new academic year in August fully in-person.

- ❑ Budget and plan for eCommerce and BOPIS to be bigger than ever this BTS season as these behavioral shifts will endure restrictions easing.



BTS shoppers not only plan to shop earlier this year, they also intend to spend more this year on BTS items.

- ❑ Anticipate BTS demand to pick up in June and shift promotional timings accordingly.



Audience Network click volume for BTS continues to grow as more users engage with our premium placements.

- ❑ Target users across both the Audience and Search network to maximize investment.
- ❑ Activate and optimize BTS In-Market audiences for a more targeted reach.



Across the board, BTS forecast trends are positive from footwear to home décor to electronics to furniture.

- ❑ Optimize by BTS product category trends and continue to remarket throughout the season.

Summary

- Spend on back-to-school shopping could be much different than last year, with 44% planning to spend more than they did previously. Timings might see a shift as well with 42% planning to shop earlier than they did previously, likely because of pandemic.
- Shoppers are most influenced by the school provided lists and are focusing mostly on items such as writing materials, clothing's, backpacks. Hygiene products are also one of the most sought-after item likely because of the pandemic
- Elementary school shoppers are more likely to shop for bulky furniture items such as sofa, bookshelves, desk/chairs for their child(ren)'s learning space set-up than others. They are also significantly more likely to buy tablets than other tablet intenders
- Click volume across BTS categories on our Audience Network has been trending upward as we enter BTS season, giving advertisers a prime opportunity to the right people in-market for BTS products.

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

