Microsoft Advertising Insights

Home and Construction: spring refresh
Marketplace trends: 2020
Home and Construction volume exceeds all up Retail with the help of Online Only
2020 Microsoft Retail reported gains in consumer demand with improved efficiency

+22% YoY
Search growth across Retail categories

+14% YoY
Click growth

-1% YoY
Spend decline due to gains in CPC efficiency

Source: Microsoft internal data, US Only, January – December 2019 & 2020
2020 Home & Construction growth outpaced all up Retail

- **+22% YoY**
  Search growth across Retail categories

- **+14% YoY**
  Click growth

- **-1% YoY**
  Spend decline due to gains in cost per click (CPC) efficiency

- **+27% YoY**
  Search growth for Home & Construction categories

- **+25% YoY**
  Click growth

- **+3% YoY**
  Spend growth, while CPCs are down ↓17% YoY

Source: Microsoft internal data, US Only, January – December 2019 & 2020
Mobile & Shopping reported strong growth, accounting for more total clicks in 2020

<table>
<thead>
<tr>
<th></th>
<th>YoY</th>
<th>% of Total</th>
<th>% of Total YoY growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile</td>
<td>+45.7%</td>
<td>36.3%</td>
<td>+5.2%</td>
</tr>
<tr>
<td>Shopping</td>
<td>+45.9%</td>
<td>35.9%</td>
<td>+5.2%</td>
</tr>
</tbody>
</table>

Source: Microsoft internal data, US Only, January – December 2019 & 2020
MARKETPLACE TRENDS

Audience windows were longer in the *new normal*

% of clicks & conversions by audience window, 2020, select H&C advertisers

<table>
<thead>
<tr>
<th>Month</th>
<th>&gt;30 Days</th>
<th>&lt;30 Days</th>
<th>Shelter in Place Order</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan</td>
<td>56%</td>
<td>44%</td>
<td></td>
</tr>
<tr>
<td>Feb</td>
<td>57%</td>
<td>43%</td>
<td></td>
</tr>
<tr>
<td>Mar</td>
<td>60%</td>
<td>40%</td>
<td></td>
</tr>
<tr>
<td>Apr</td>
<td>62%</td>
<td>38%</td>
<td></td>
</tr>
<tr>
<td>May</td>
<td>55%</td>
<td>45%</td>
<td></td>
</tr>
<tr>
<td>Jun</td>
<td>50%</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>Jul</td>
<td>48%</td>
<td>52%</td>
<td></td>
</tr>
<tr>
<td>Aug</td>
<td>51%</td>
<td>49%</td>
<td></td>
</tr>
<tr>
<td>Sep</td>
<td>51%</td>
<td>49%</td>
<td></td>
</tr>
<tr>
<td>Oct</td>
<td>50%</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>Nov</td>
<td>48%</td>
<td>52%</td>
<td></td>
</tr>
<tr>
<td>Dec</td>
<td>44%</td>
<td>56%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Microsoft internal data, US Only, January - December 2020
Shelter-in-place orders accelerated the otherwise slow to ramp curbside pick-up trend.

Curbside pick-up (and like queries) indexed search volume
Takeaways

• 2020 Home & Construction growth outpaced all up Retail

• Home & Construction searches & clicks maintained significant YoY growth throughout 2020
  ❑ Align campaign bids & budgets accordingly to meet increased demand

• Mobile and shopping reported strong growth, accounting for more total clicks YoY
  ❑ Ensure optimal keyword, ad, and product coverage across your mobile and shopping campaigns

• Shelter-in-place orders accelerated the otherwise slow to ramp curbside pick-up trend
  ❑ Convenience and safety are top of mind for consumers, retailers should consider curbside pick-up options and promote these offerings in ad copy and on landing pages
Current landscape

When unprecedented events translate to unprecedented growth
Furniture and home furnishings ecommerce forecasts significantly outpaced pre-pandemic estimates

eMarketer excerpt: “2020’s Biggest US Forecasting Shocks”

US households also found themselves unpredictably focused on home improvement this year, even as a lot of big-box furniture stores were closed or less accessible. This led to a big shift in spending from brick-and-mortar to digital in the category. In January, we estimated furniture and home furnishings ecommerce would amount to $76.80 billion, but now we forecast that figure will be $92.32 billion—an uptick of $15.50 billion.
Rapid home improvement growth resulted in **year over year (YoY) gains** for furniture and home furnishing sales.

US Furniture & Home Furnishings Retail Ecommerce Sales

<table>
<thead>
<tr>
<th>Year</th>
<th>Ecommerce Sales (billions)</th>
<th>% Change YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$59.5</td>
<td>19%</td>
</tr>
<tr>
<td>2019</td>
<td>$69.5</td>
<td>17%</td>
</tr>
<tr>
<td>2020</td>
<td>$92.3</td>
<td>33%</td>
</tr>
<tr>
<td>2021</td>
<td>$97.5</td>
<td>6%</td>
</tr>
<tr>
<td>2022</td>
<td>$110.1</td>
<td>13%</td>
</tr>
</tbody>
</table>

2018-2022 % of Total Retail Sales:
- 2018: 20%
- 2019: 22%
- 2020: 29%
- 2021: 30%
- 2022: 33%

*Data source: eMarketer US Furniture & Home Furnishings Retail Ecommerce Sales*
This was largely the result of COVID-19 prompted unplanned Home & Construction projects

First Party Microsoft Survey, >1000 US participants, % of respondents 2020

44% started an unplanned project in 2020
44% completed more DIY projects

Of those respondents:

77% explained, “I was home more, which inspired me to think more about potential projects”

68%, “I had more time in 2020”

49% “I did not hire help because I was worried about bringing COVID-19 into my home”
Looking forward, survey participants are **less hesitant to hire help** to complete their planned 2021 projects.

First Party Microsoft Survey, % of Respondents 2020 & 2021

- **I am/was home more, which inspired me to think more about potential projects**
  - 2020: 77%
  - 2021: 73%

- **I have/had more time**
  - 2020: 68%
  - 2021: 64%

- **I will/did not hire help because of COVID-19**
  - 2020: 49%
  - 2021: 41%

- **COVID-19 will have no impact on my 2021 home & garden plans**
  - 2020: 50%

First Party Microsoft Survey, 15 min online survey, 1050 US respondents, 18-65 y/o, must have stated “planning to complete a Home & Construction project in 2021”
People are planning to tackle more projects in 2021
First Party Microsoft Survey, % of Respondents 2020 & 2021

- **Bathroom refresh**: Planned 42%, Completed 34%
- **Interior refresh**: Planned 65%, Completed 55%
- **Kitchen refresh**: Planned 33%, Completed 28%
- **Outdoor refresh**: Planned 62%, Completed 53%

First Party Microsoft Survey, 15 min online survey, 1050 US respondents, 18-65 y/o, must have stated “planning to complete a Home & Construction project in 2021”
Paint is a top task across 3 of the 4 project categories

First Party Microsoft Survey, % of Respondents, Top Tasks Per Project Type

- **Paint**: 66%
- **Update bathroom décor/ accessories**: 56%
- **Install new lighting/ fixtures**: 41%
- **Paint**: 70%
- **Purchase new décor**: 51%
- **Purchase new area rugs**: 46%
- **Paint**: 57%
- **Install new counters/ backsplash**: 43%
- **Install new lighting/ fixtures**: 37%
- **New landscaping**: 62%
- **Update existing landscaping**: 61%
- **Purchase new outdoor accessories**: 53%
Planning appears to align with climate as West & South lean outdoor while the Northeast focuses inside

First Party Microsoft Survey, % of Respondents 2021, Planned Project by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Bathroom refresh</th>
<th>Interior refresh</th>
<th>Kitchen refresh</th>
<th>Outdoor refresh</th>
</tr>
</thead>
<tbody>
<tr>
<td>West</td>
<td>40%</td>
<td>35%</td>
<td>64%</td>
<td>67%</td>
</tr>
<tr>
<td>Midwest</td>
<td>36%</td>
<td>30%</td>
<td>62%</td>
<td>58%</td>
</tr>
<tr>
<td>South</td>
<td>49%</td>
<td>34%</td>
<td>63%</td>
<td>66%</td>
</tr>
<tr>
<td>Northeast</td>
<td>43%</td>
<td>35%</td>
<td>71%</td>
<td>58%</td>
</tr>
</tbody>
</table>

First Party Microsoft Survey, 15 min online survey, 1050 US respondents, 18-65 y/o, must have stated “planning to complete a Home & Construction project in 2021”
DIY and dwelling status may vary, but ultimately people are pushed to make changes based on major life events

First Party Microsoft Survey, % of Respondents

**Level of DIY Comfort**
- Heavy: 29%
- Light: 71%

**Dwelling Status**
- Own home: 71%
- Rent/lease single family home: 13%
- Rent/lease apartment, etc.: 10%

**Top Reasons for Renovation**
- 32% were inspired by a major life event
  - Moved to a new home: 11%
  - Purchased a new home: 8%
  - Moved in with a significant other: 7%
  - Relocated to another city: 6%
  - Retired: 5%
  - Got a new job: 5%
  - Welcomed a new child: 4%
  - Got engaged: 4%
  - Got married: 3%

First Party Microsoft Survey, 15 min online survey, 1050 US respondents, 18-65 y/o, must have stated “planning to complete a Home & Construction project in 2021”
Home improvement projects were typically financed with **current funds**, as opposed to **borrowing**

% of Respondents, Aug 2020

- Money from checking/savings account(s): 58%
- Credit card (paid in full): 37%
- Credit card (financed over time): 20%
- Store financing option: 8%
- Home equity borrowing/mortgage refinancing: 6%
- Personal loan: 5%
- Other: 4%
- Don't know: 3%

Bankrate as cited in company blog conducted by YouGov, Sep 9, 2020
CURRENT LANDSCAPE

Respondents budgeted more for kitchen renovations
First Party Microsoft Survey, % of Respondents, Budget per project

First Party Microsoft Survey, 15 min online survey, 1050 US respondents, 18-65 y/o, must have stated "planning to complete a Home & Construction project in 2021"
Takeaways

• US households found themselves unpredictably focused on home improvement this year, with consumer spending forecasted to be well over predictions.
  ❑ Align campaign bids & budgets accordingly

• Consumers plan to tackle more projects in 2021 with less hesitation for contracting outside help
  ❑ Expand Keywords to capture new search queries as consumers research projects

• Planning appears to align with climate as West & South lean outdoor while the Northeast focuses inside Kitchen Remodels
  ❑ Incorporate geo-targeting to meet project demand in specific regions

• Consumers plan to budget the most for Kitchen renovations
  ❑ Implement remarketing to ensure you capture these high value consumers throughout their renovation journey
To get actionable data, insights and best practices to help make decisions and grow your business, visit MicrosoftAdvertising.com/Insights