Festive shopping season: UK Home and Garden

Microsoft Advertising. Great relationships start here.
UK consumer confidence is the highest in the EU-5
eCommerce yearly growth is expected to remain strong

Source: eMarketer UK Retail eCommerce Sales by Product Category May 2021, UK Retail Sales by Product Category May 2021
Retail has undergone a period of rapid evolution

+10 Years
The evolution in consumer and business digital adoption that occurred in the first 90 days of lockdown

63%
The percentage of shoppers who tried different shopping behaviours since Covid and have high intent to continue these behaviours going forward

44%
tried new brands or made purchases with a new retailer during the first lockdown

42%
The percentage of UK Adults that stopped purchasing certain clothing and footwear brands due to ethical/sustainability concerns

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1 Source: McKinsey - Retail reimagined: The new era for customer experience, Aug 2020
2 Source: McKinsey - Consumer sentiment and behavior continue to reflect the uncertainty of the COVID-19 crisis, October 2020
3 Source: eMarketer - For Which Types of Consumer Goods/Services Have UK Adults Stopped Purchasing Certain Brands due to Ethical/Sustainability Concerns? (March 2021)
These changes are reflected in search behaviours

Increase in non-brand interaction

+34% vs Brand 24%

Yearly non-brand click growth is far surpassing brand 2021 vs 2020

Mobile is growing faster

+43% vs PC 37%

Yearly growth in Mobile clicks have increased in 2021 vs 2020

More interaction with shopping ads

+75%

Yearly growth product ad clicks have surged in 2021 vs 2020

Source: Microsoft Advertising Internal Data, Home & Garden Categories Jan-Jun 2021 vs the same period 2020
Peak season saw continued growth across categories

**Home Appliance clicks**
Oct-Dec 2020

Yearly click growth
+29%

**Home Furniture clicks**
Oct-Dec 2020

Yearly click growth
+24%

**Home Décor & Interior Decorating clicks**
Oct-Dec 2020

Yearly click growth
+28%

Source: Microsoft internal O&O data UK Oct-Dec 2019 - 2020
With restrictions easing, **growth rates are stabilising**

**Home Appliances clicks**
Jan-Jun 2019 - 2021

**Home Furniture clicks**
Jan-Jun 2019 - 2021

**Home Décor & Interior Decorating clicks**
Jan-Jun 2019 - 2021

2019 click growth

- **+44%**

- **+48%**

- **+67%**

Source: Microsoft internal O&O data UK 2019 - Jun 2021, Yearly growth based on May-June 2021 vs 2019 data
Forecasts are predicting **strong growth** into peak season

- **Home Appliances clicks**
- **Home Furniture clicks**
- **Home Décor & Interior Decorating clicks**

**Predicted click growth**
- **+5%**
- **+25%**
- **+17%**

Source: Microsoft Internal O&O data UK 2019-2021 with applied PROPHET forecasting model
Consumers make multiple searches before converting

Search journeys by number of searches made

- 1 Search: 8%
- 2-10 Searches: 21%
- 11+ Searches: 71%

Source: Microsoft internal search data for UK Home & Garden journeys, Oct 2020 – Dec 2020
Most searchers take **20+ days** before converting

- **14%** 6 Hrs
- **16%** 7hrs - 19 days
- **25%** 20 days - 39 days
- **45%** 40+ days

Source: Microsoft internal search data for UK Home & Garden journeys, Oct 2020 – Dec 2020
Search is a key channel for influencing consumers

<table>
<thead>
<tr>
<th>Where online shoppers discover new brands and products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online Retail Websites</td>
</tr>
<tr>
<td>Search Engines</td>
</tr>
<tr>
<td>Word-of-mouth recommendations</td>
</tr>
<tr>
<td>Ads seen on TV</td>
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<td>Brand / product websites</td>
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<td>Consumer reviews</td>
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<td>Product / brand sites</td>
</tr>
<tr>
<td>Price comparison websites</td>
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<tr>
<td>Social Networks</td>
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</table>

Source: GlobalWebIndex, UK, wave: Q1 2021, based on respondents classified as ‘Online Shoppers’ and members of the Microsoft Advertising Network audience (self-identified users of Bing, Yahoo, MSN, Outlook) Top 5 results shown
Our Advertising Audience has higher purchase intent

Our Audience’s purchase intent

- Refrigerator: 1.15x higher
- Microwave: 1.14x higher
- Aircon units: 1.14x higher
- Garden furniture: 1.16x higher
- Furniture: 1.2x higher
- Sofa: 1.13x higher
- Dishwasher: 1.16x higher
- Iron: 1.12x higher
- Home exercise: 1.26x higher
- Vacuum cleaner: 1.16x higher

Source: Global Web Index – Q1 2021 UK data - Which of these things are you / your household thinking about purchasing in the next 3-6 months?

 vs the average internet audience
Cross channel insights
How did things look last peak season?
Upper funnel channels had a higher probability of driving user engagement on search

- Social: 77%
- Native: 74%
- Referral: 80%
- Partner: 71%

Probability of next engagement being an SEM click

Microsoft internal data; click based attribution (impression ad exposure not considered). N = 1000 users. Oct 2020 – Dec 2020. UK Home & Garden data Analysis of paid media only. Inclusive of Display, Native, Partner, Referral (including affiliates), Social, Video, and Paid Search. Publisher and platform agnostic. Multiple paid media click touchpoints required for analysis inclusion.
Native drove 7x more Home & Garden conversions

% of Home & Garden conversions by attribution model

Last Touch Attribution: 1%
Multi-Touch Attribution: 7x higher

Native plays a much larger part in the overall user conversion journey than might appear when directly measured, with 7x higher conversions attributed when viewed through a multi-touch attribution perspective.

Source: Microsoft internal search data for Home & Garden journeys, Oct 2020 – Dec 2020, multi-touch attribution based on Markov chains, single touch journeys excluded.
Advertisers using both search & native perform better

In our recent retail ad effectiveness study, we found that users who are exposed to a brand’s ad in both search and native environments are more likely to visit that brand’s website and convert later on.

This combined with the strong growth show it’s an effective approach for both reach and efficiency growth.

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 = 2.5M
Non-brand queries drove most conversions during peak season.

With a multi-touch perspective, we can see that brand content grew massively in importance.

Despite this, non-brand content drove approximately 70% of all conversions in UK Home & Garden during peak season, highlighting its importance.

To effectively reach consumers during their journey, start using **in-market audiences**

Machine learning powered Microsoft Advertising predictive intelligence identifies users who have shown **purchase intent** signals within a particular category.
Expand reach in-market audiences by expanding into overlapping categories

People ‘in-market’ for Home & Garden...

...have *x% chance* to be ‘in-market’ for these categories as well:
(top 5 based on reach)

<table>
<thead>
<tr>
<th>Category</th>
<th>%</th>
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<tbody>
<tr>
<td>Employment</td>
<td>61%</td>
</tr>
<tr>
<td>Home &amp; Garden /Home Furnishings</td>
<td>31%</td>
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<tr>
<td>Home &amp; Garden /Home Improvement</td>
<td>29%</td>
</tr>
<tr>
<td>Computers &amp; Peripherals</td>
<td>28%</td>
</tr>
<tr>
<td>Apparel &amp; Accessories</td>
<td>28%</td>
</tr>
</tbody>
</table>

Source: Microsoft Internal Data, April 2021, United Kingdom
*For a user to be considered “overlapping” across two In-Market segments, they must have been exposed to an ad by an advertiser targeting that audience in the associated time frame, currently monthly.*
<table>
<thead>
<tr>
<th>Key insights</th>
<th>Next steps</th>
</tr>
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<tbody>
<tr>
<td><strong>The pandemic has drastically changed consumer behaviors</strong></td>
<td>The rules of the game have changed, advertisers now need to reassess their strategies and adapt to a new reality</td>
</tr>
<tr>
<td>Peak season growth will likely be less than previous years, given recovery</td>
<td>With increased competition in the digital space and slowing growth, incremental performance needs to come from more advanced strategies</td>
</tr>
<tr>
<td>in other verticals attract consumer’s expendable income away from retail.</td>
<td></td>
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<tr>
<td>Despite this, we are expecting click volumes to show up to 25% growth</td>
<td></td>
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<tr>
<td>compared to 2020</td>
<td></td>
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<tr>
<td><strong>Search</strong> continues to be a preferred channel for consumers, but journeys</td>
<td>Search is an essential part of the advertiser’s media mix and can be easily assessed directly, assess other channel such as native by looking at direct performance, but also attributed value in other channels</td>
</tr>
<tr>
<td>are complex and need to be thought of with a multi-channel perspective</td>
<td></td>
</tr>
<tr>
<td>Looking at full consumer journey through multi-touch attribution, we see the</td>
<td>While non-brand queries reduce in importance when viewed through a multi-channel perspective, they still drive around 70% of conversions. Ensure you have coverage and are using broader tactics to capture new and changing behaviours and searches.</td>
</tr>
<tr>
<td>full value of different search tactics</td>
<td></td>
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<tr>
<td><strong>In-market audiences</strong> are a perfect way to target new customers that are</td>
<td>Leverage in-market audiences by bidding up for relevant audiences and finding audiences with high overlap to expand reach further</td>
</tr>
<tr>
<td>actively doing research on Bing</td>
<td></td>
</tr>
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<td><strong>Native advertising</strong> drives search engagement</td>
<td>Diversify upper funnel investments by leveraging the Microsoft Audience Network next to other native solutions and social channels to increase unique reach</td>
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</tbody>
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To get actionable data, insights and best practices to help make decisions and grow your business, visit MicrosoftAdvertising.com/Insights