MICROSOFT ADVERTISING INSIGHTS

UK Computers & Consumer Electronics festive season 2021

Microsoft Advertising. Great relationships start here.
UK consumer confidence is the highest in the EU-5

E-commerce yearly growth is expected to remain strong.

<table>
<thead>
<tr>
<th>Category</th>
<th>2020 Sales</th>
<th>2021 Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Textile clothing and footwear</td>
<td>-3.9%</td>
<td>+24.0%</td>
</tr>
<tr>
<td>Household goods</td>
<td>+3.6%</td>
<td>+32.6%</td>
</tr>
<tr>
<td>Other retail categories</td>
<td>+11.0%</td>
<td>+15.7%</td>
</tr>
</tbody>
</table>

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%
of shoppers tried different shopping behaviours since Covid, and have high intent to continue these behaviours going forward

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

42%
of UK adults stopped purchasing certain clothing and footwear brands due to ethical/sustainability concerns

1 Source: McKinsey - Retail reimagined: The new era for customer experience, Aug 2020
2 Source: McKinsey - Consumer sentiment and behaviour 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

+38%

Mobile is growing faster

+26%

More interaction with shopping ads

+104%

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

Yearly growth in clicks on mobile have increased in 2021 vs 2020

Yearly growth product ad clicks have surged in 2021 vs 2020

Source: Microsoft Advertising Internal Data, Computer & Consumer Electronics Categories Jan-Jun 2021 vs the same period 2020
Consumers make multiple searches before converting...

Source: Microsoft internal search data for UK Computer & Consumer Electronics journeys, Oct 2020 – Dec 2020
... and most searchers take **20+ days** before converting

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

Where online shoppers discover new brands and products

- Online retail websites: 51%
- Search Engine: 50%
- Ads seen on TV: 48%
- Brand / product websites: 44%
- Word-of-mouth recommendations: 41%

Where online shoppers research brands and products

- Search engine: 66%
- Consumer reviews: 53%
- Product / brand sites: 53%
- Price comparison websites: 42%
- Social Networks: 42%

Source: GlobalWebIndex, UK, wave: Q1 2021, based on respondents classified as ‘Tech & Gadget Lovers’ 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 than the average internet user for select retail products.

Our audience’s purchase intent:

- Desktop PC: 1.15x higher
- Laptop: 1.17x higher
- PC/Console Games: 1.15x higher
- Games console: 1.17x higher
- Flat-screen TV: 1.18x higher
- Digital camera: 1.19x higher
- Smart home assistant: 1.26x higher
- Smart wearable: 1.22x higher
- Headphone/earphones: 1.26x higher
- Tablet: 1.10x 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
What about cross channel?
Upper funnel channels had a higher probability of driving user engagement toward search.

Probability of next engagement being a SEM (search engine marketing) click.

- Social: 61%
- Native: 45%
- Referral: 65%
- E-mail: 67%

Native drives 5x more Consumer Electronics conversions

% Computer & Consumer Electronics conversions by attribution model

Native plays a much larger part in the overall user conversion journey, with 5x higher conversions attributed when viewed through a multi-touch attribution perspective.

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.

This combined with the strong growth make it the perfect approach for both reach and efficiency.

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 conversions during peak season

With a multi-touch perspective, brand content grew massively in importance

Despite this, non-brand content drove approximately **76% of all conversions** in UK Computer & Consumer Electronics 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.
Key actions to prepare for festive shopping season

<table>
<thead>
<tr>
<th>Key insights</th>
<th>Next steps</th>
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</thead>
<tbody>
<tr>
<td>The pandemic has drastically changed consumer behaviors</td>
<td>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. Despite this, we</td>
<td>With increased competition in the digital space and slowing growth, incremental performance needs to come from more advanced strategies</td>
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<tr>
<td>are expecting click volume to experience stability compared to 2020</td>
<td></td>
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<tr>
<td>Search continues to be a preferred channel for consumers, but journeys are</td>
<td>Search is an essential part of the advertiser’s media mix and can be easily assessed directly. Assess other channels such as native by</td>
</tr>
<tr>
<td>complex and need to be thought of from a multi-channel perspective</td>
<td>looking at direct performance, but also attributed value in other channels</td>
</tr>
<tr>
<td>Looking at the full consumer journey through multi-touch attribution we see</td>
<td>While non-Brand queries reduce in importance when viewed through a multi-channel perspective, they still drive around 76% of conversions.</td>
</tr>
<tr>
<td>the full value of different search tactics</td>
<td>Ensure you have coverage and are using broader tactics to capture new and changing behaviours and searches</td>
</tr>
<tr>
<td>In-market audiences 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>
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<tr>
<td>actively doing research on Bing</td>
<td></td>
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<tr>
<td>Native advertising 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</td>
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<td></td>
<td>unique reach</td>
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To get actionable data, insights and best practices to help make decisions and grow your business, visit MicrosoftAdvertising.com/Insights