MICROSOFT ADVERTISING INSIGHTS

UK Computers & Consumer Electronics festive season 2021

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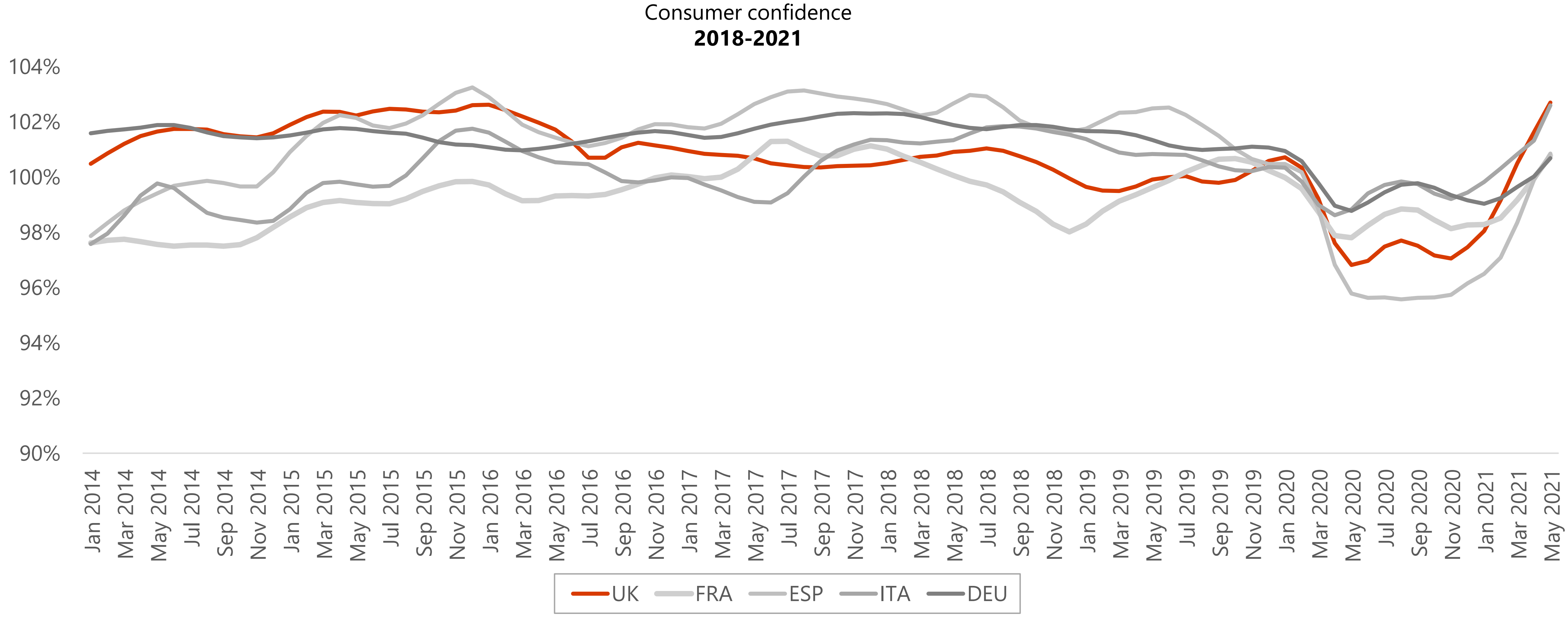
Microsoft Advertising. Great relationships start here.

UK consumer confidence is the highest in the EU-5



Source: OECD (2021), Consumer confidence index (CCI) (indicator). doi: 10.1787/46434d78-en (Accessed on 14th June 2021)

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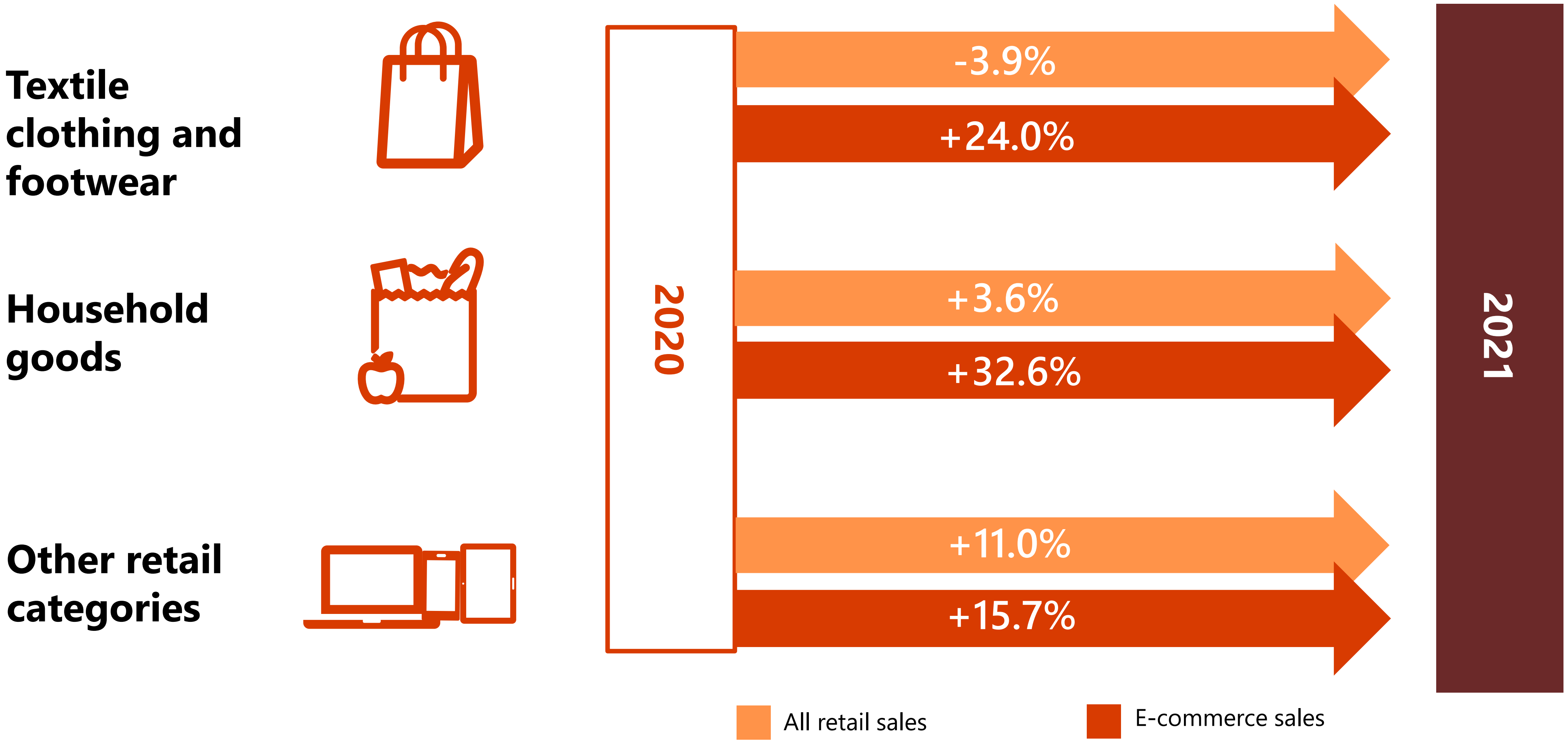
E-commerce yearly growth is expected to remain strong



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[1]

63%

of shoppers tried different shopping behaviours since Covid, and have high intent to continue these behaviours going forward[2]

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[3]

[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)

Microsoft

These changes are reflected in search behaviours

Increase in non-brand interaction

+38%

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

Mobile is growing faster

+26%

vs
PC 16%

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

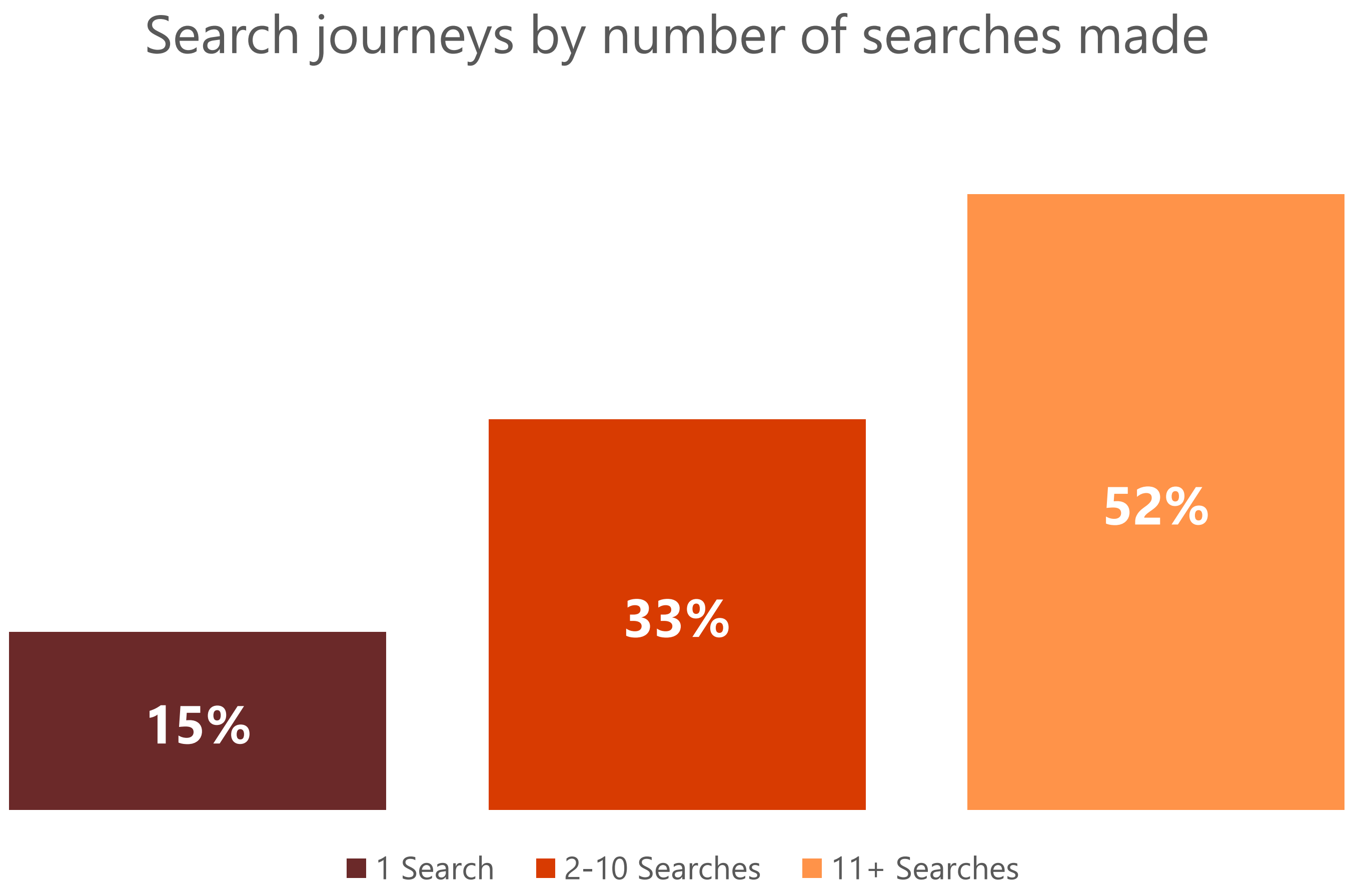
More interaction with shopping ads

+104%

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

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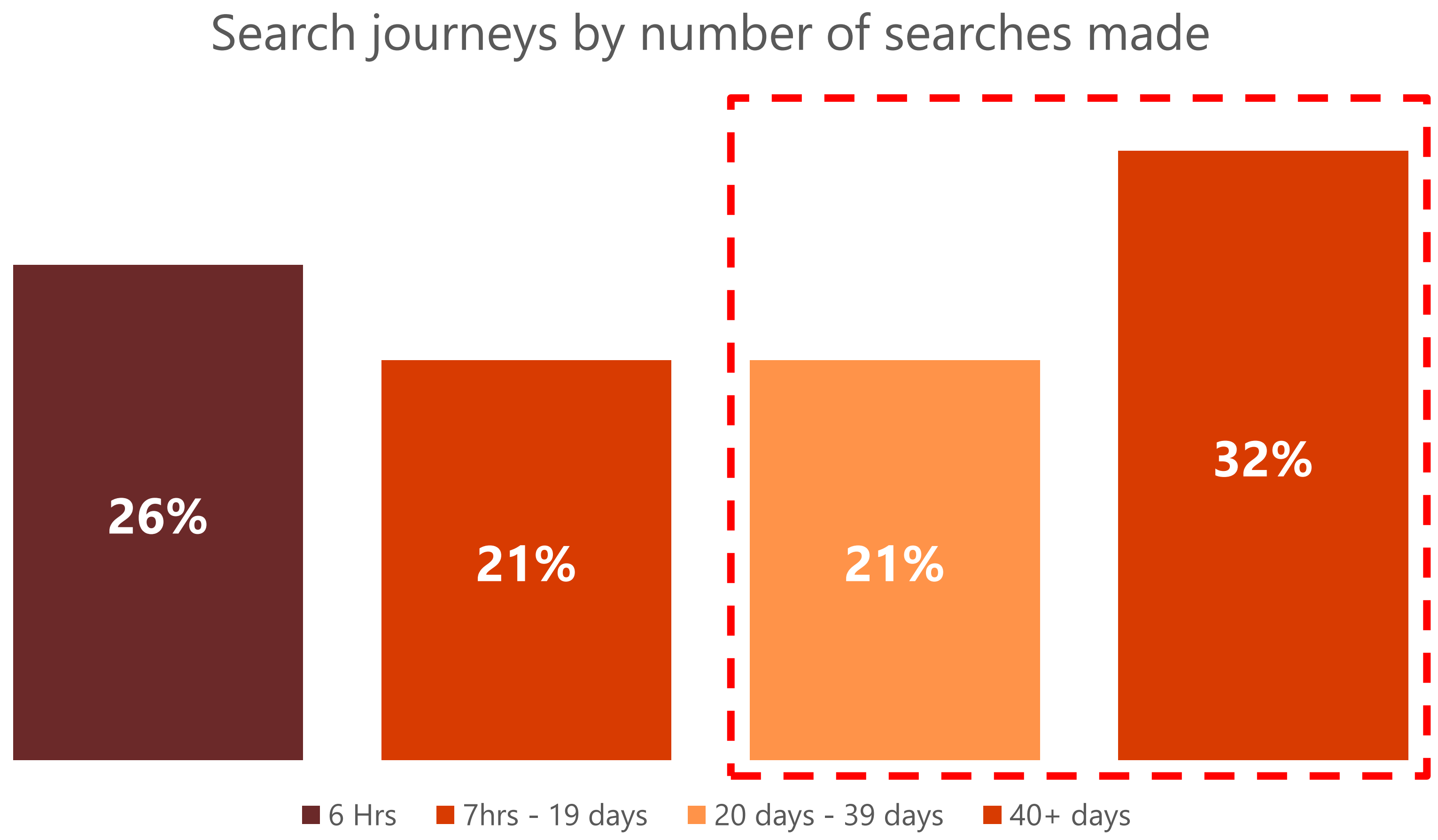
… and most searchers take 20+ days before converting



Source: Microsoft internal search data for UK Computer & Consumer Electronics journeys, Oct 2020 – Dec 2020

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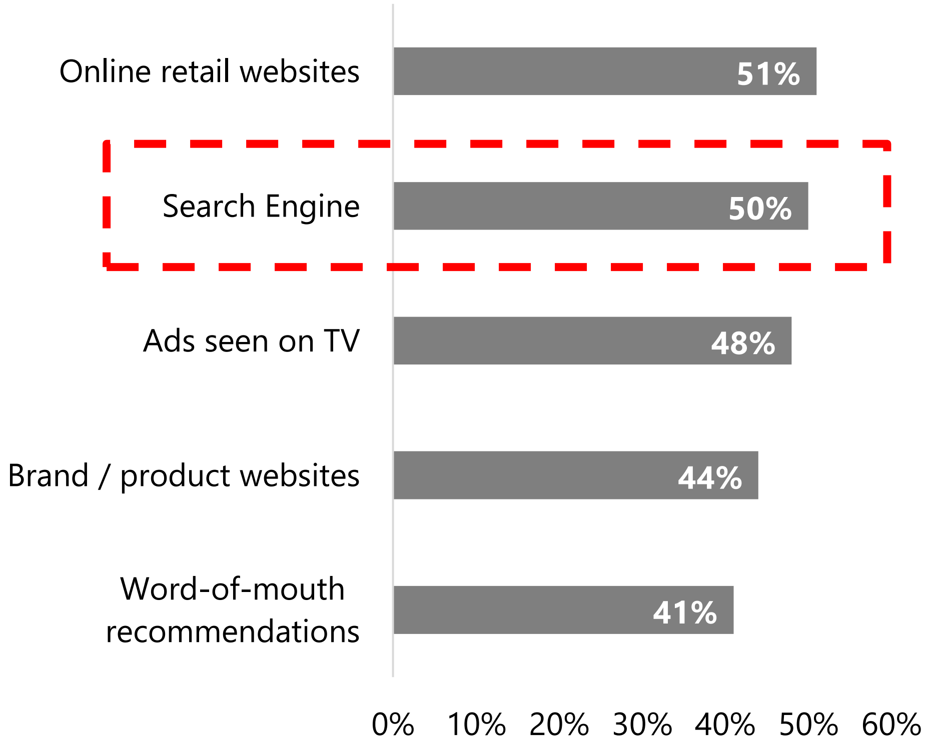
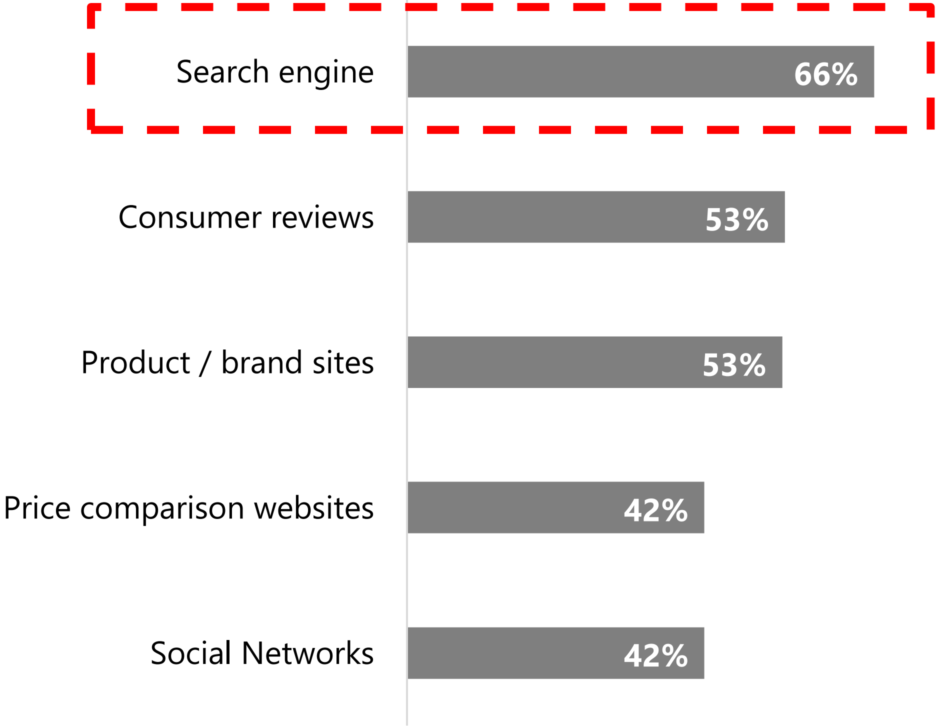
Search is a key channel for influencing consumers

Where online shoppers <u>discover</u> new brands and products



Where online shoppers <u>research</u> brands and products



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

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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

PC/Console Games
1.15x higher

Flat-screen TV
1.18x higher

Smart home assistant
1.26x higher

Headphone/ earphones
1.26x higher

Laptop
1.17x higher

Games console
1.17x higher

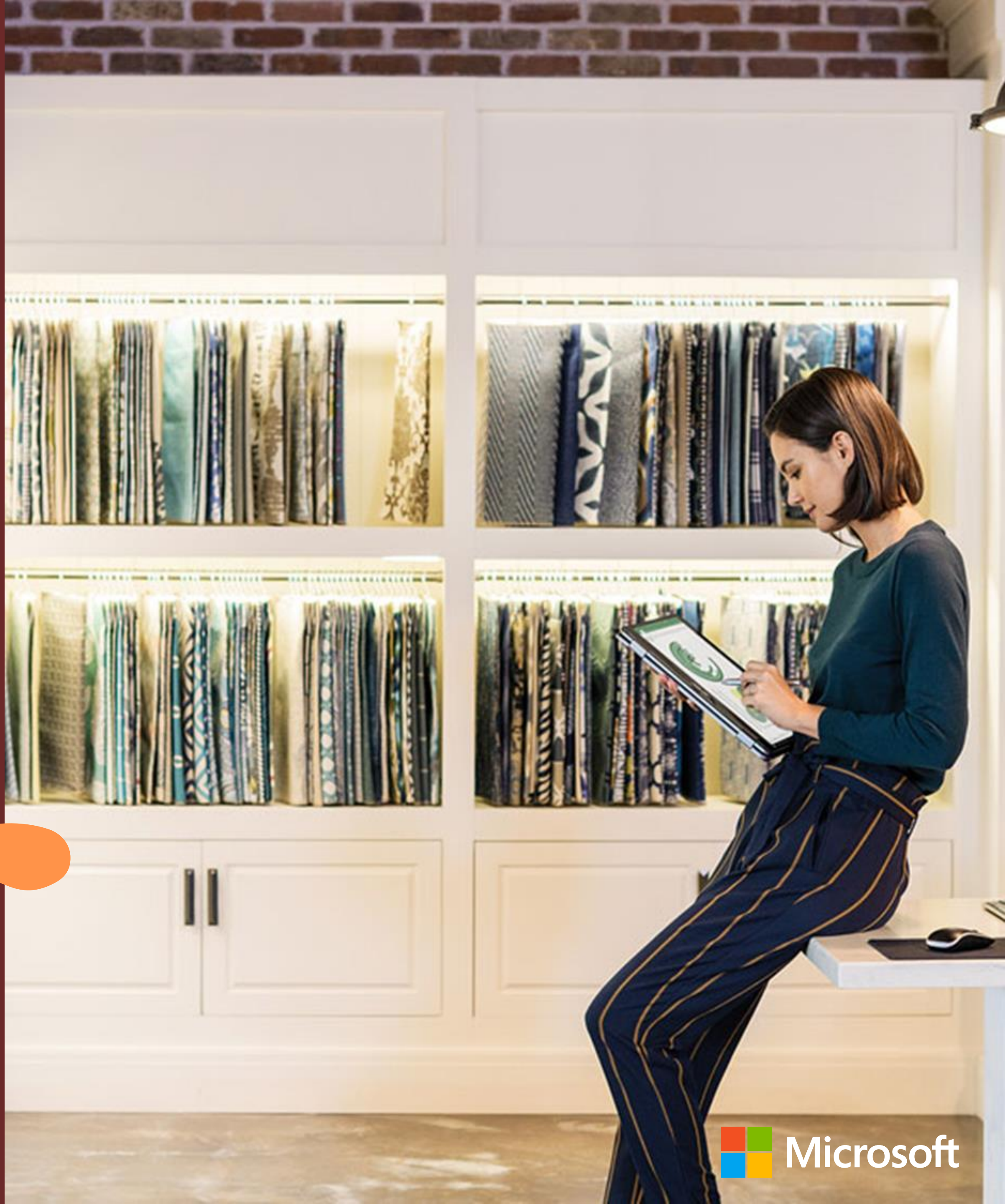
Digital camera
1.19x higher

Smart wearable
1.22x higher

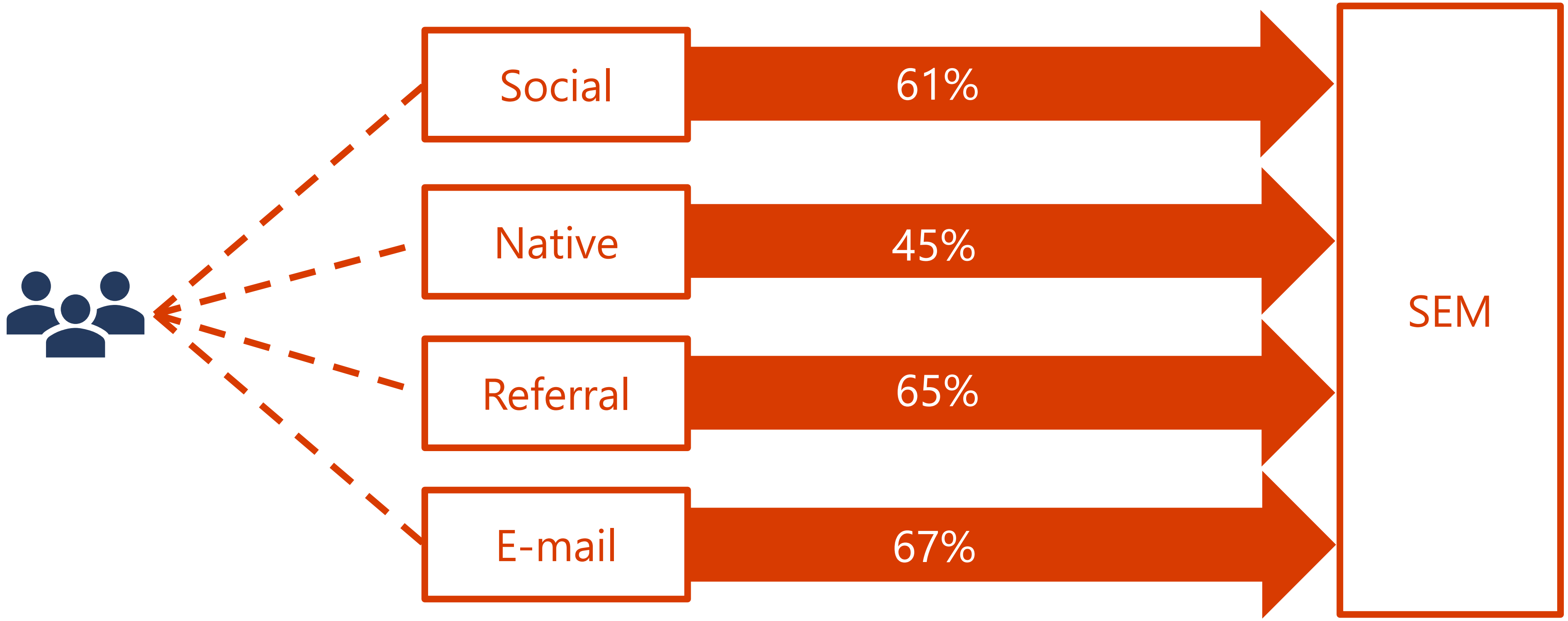
Tablet
1.10x higher

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?
[1] 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

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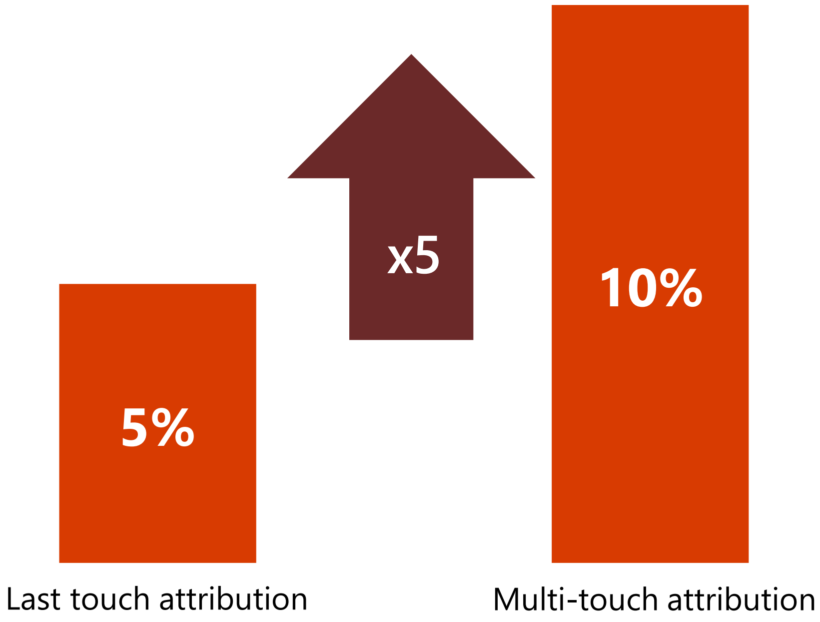
Microsoft internal data; click based attribution (impression ad exposure not considered). N = 1000 users. Oct 2020 – Dec 2020. UK Computers & Consumer Electronics data Analysis of paid media only. Inclusive of Display, Native, Partner, Referral (including affiliates), Social, Video, and Paid Search.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

Native 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

Source: Microsoft internal search data for Computer & Consumer Electronic journeys, Oct 2020 – Dec 2020, multi-touch attribution based on Markov chains, single touch journeys excluded

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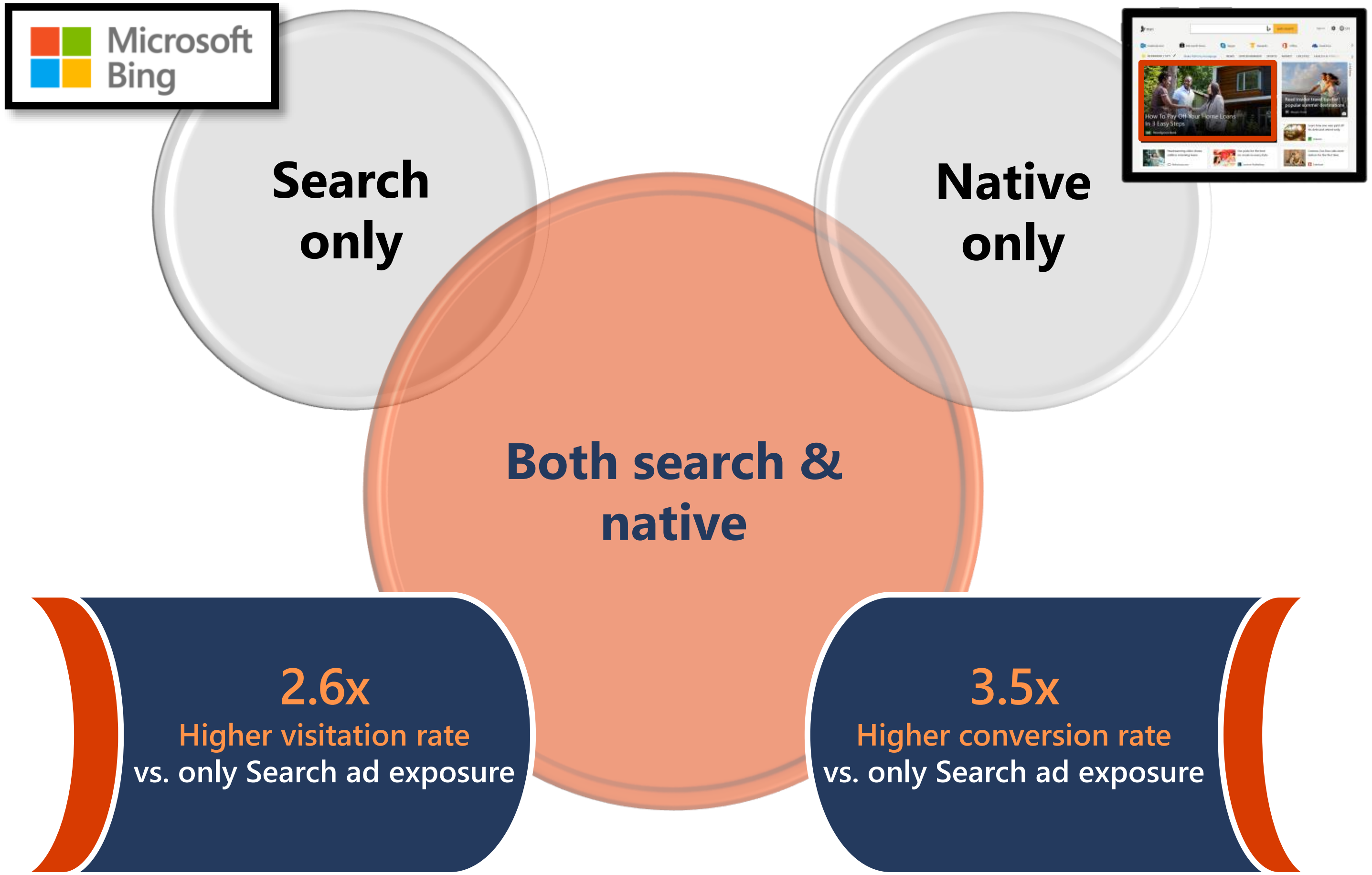
Advertisers using both search & native perform better



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

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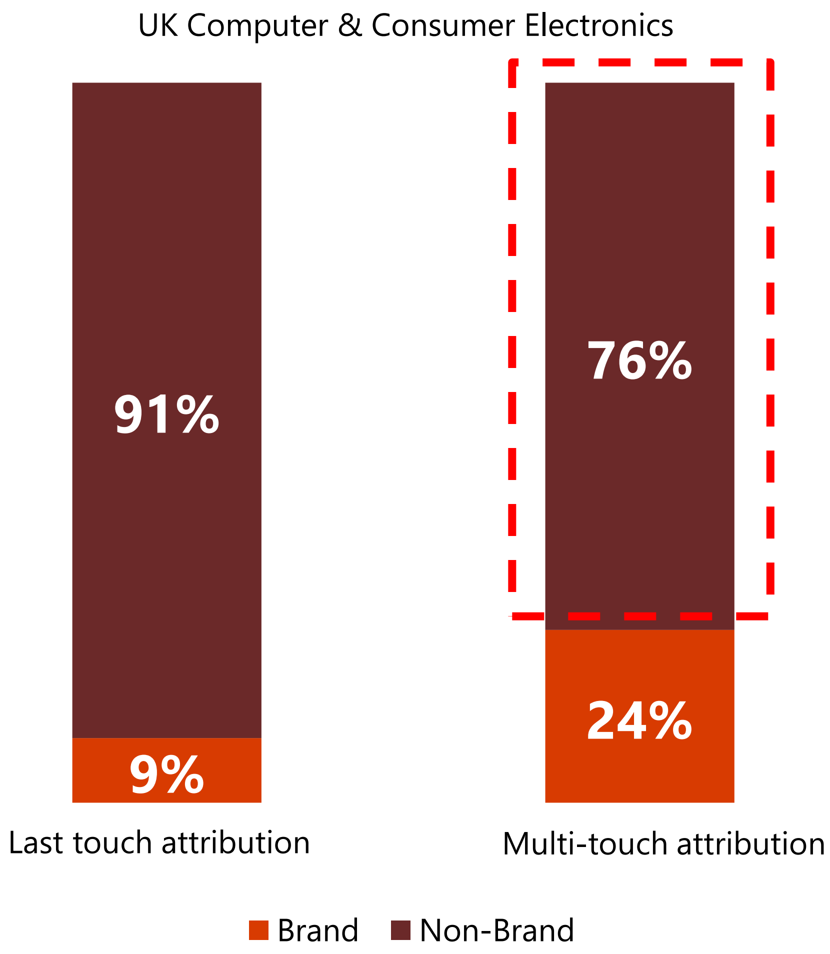
Non-brand queries drove conversions during peak season



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

Source: Microsoft internal search data for Computer & Consumer Electronics Journeys, Oct 2020 – Dec 2020, multi-touch attribution based on Markov chains, single touch journeys excluded

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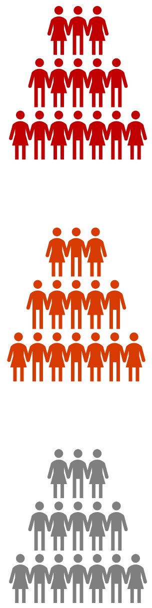
To effectively reach consumers during their journey, start using in-market audiences

Machine learning powered Microsoft Advertising predictive intelligence identifies users who have shown **purchase intent** signals within a particular category

In-market Audiences



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Key actions to prepare for festive shopping season

Key insights	Next steps
The pandemic has drastically changed consumer behaviors	Advertisers now need to reassess their strategies and adapt to a new reality
Peak season growth will likely be less than previous years. Despite this, we are expecting click volume to experience stability compared to 2020	With increased competition in the digital space and slowing growth, incremental performance needs to come from more advanced strategies
Search continues to be a preferred channel for consumers, but journeys are complex and need to be thought of from a multi-channel perspective	Search is an essential part of the advertiser's media mix and can be easily assessed directly. Assess other channels such as native by looking at direct performance, but also attributed value in other channels
Looking at the full consumer journey through multi-touch attribution we see the full value of different search tactics	While non-Brand queries reduce in importance when viewed through a multi-channel perspective, they still drive around 76% of conversions. Ensure you have coverage and are using broader tactics to capture new and changing behaviours and searches
In-market audiences are a perfect way to target new customers that are actively doing research on Bing	Leverage in-market audiences by bidding up for relevant audiences and finding audiences with high overlap to expand reach further
Native advertising drives search engagement	Diversify upper funnel investments by leveraging the Microsoft Audience Network next to other native solutions and social channels to increase unique reach

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

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