MICROSOFT ADVERTISING INSIGHTS

United Kingdom Retail festive season insights

Microsoft Advertising. Great relationships start here.
2021 year-to-date trends: Apparel
Recent openings are influencing dynamics in the auction

1. 2021 and 2020 search volumes are almost even in recent weeks, -5% year-over-year (YoY) growth in the last week

2. In recent weeks, average cost per clicks (CPCs) are increasing, probably due to changes in query mix, currently at +22% YoY

3. 2021 clicks are still going strong, currently slightly over 2020 levels with +11% YoY in most recent week

Source: Microsoft internal, market performance on owned and operated network, UK, Retail – Apparel query categories, 2019-2021
New ad formats are outpacing average growth as adoption grows and consumer interaction increases

Ad type share of clicks 2021 year-to-date (YTD)
(UK, Apparel & Accessories advertisers)

- Search ads: [Bar chart]
- Product ads: [Bar chart]
- Dynamic search ads: [Bar chart]

Ad type clicks YoY growth 2021 year-to-date (YTD)
(UK, Apparel & Accessories advertisers)

- Search ads: 16%
- Product ads: 89%
- Dynamic search ads: 30%

*) Numbers might not add up due to rounding
Source: Microsoft internal, market performance on owned and operated network, UK, Retail – Apparel & Accessories advertisers, 2020-2021 (up till August)
65+ outpacing average growth

YoY change in clicks by age group
(UK, Apparel)

- 65+: 17% in 2021 YTD, 17% in 2020, 49% YoY change
- 50-64: 17% in 2021 YTD, 17% in 2020, 34% YoY change
- 35-49: 19% in 2021 YTD, 19% in 2020, -8% YoY change
- 25-34: 23% in 2021 YTD, 23% in 2020, -6% YoY change
- 18-24: 17% in 2021 YTD, 17% in 2020, -3% YoY change

Source: Microsoft internal, market performance on owned and operated network, UK, Retail – Apparel query categories, 2019-2021
2021 year-to-date trends: Computers & Consumer Electronics
Current consumer interest is floating below 2020 levels

1. The buoying consumer interest early last year was not replicated this year. Currently volumes are down -17% YoY

2. In line with decline in search volumes cost per clicks (CPCs) are going up potentially due to changes in query mix, currently at +54% YoY

1. The surge in clicks in 2020 is not shown in 2021, current volumes are close to but not meeting 2021 levels showing -12% YoY in last week

Source: Microsoft internal, market performance on owned and operated network, UK, Retail – Computers & Consumer Electronics categories, 2019-2021
Product ads are driving overall growth

Ad type share of clicks 2021 YTD
(UK, Consumer Electronics advertisers)

- Search ads: 58%
- Product ads: 36%
- Dynamic search ads: 5%

Ad type clicks YoY growth 2021 YTD
(UK, Consumer Electronics advertisers)

- Search ads: 15%
- Product ads: 75%
- Dynamic search ads: -9%

*) Numbers might not add up due to rounding
Source: Microsoft internal, market performance on owned and operated network, UK, Retail – Consumer Electronics advertisers, 2020-2021 (up till August)
65+ is growing in line with average

### YoY change in clicks by age group
(UK, Computers & Consumer Electronics)

<table>
<thead>
<tr>
<th>Age Group</th>
<th>2021 YTD</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>65+</td>
<td>4%</td>
<td>38%</td>
</tr>
<tr>
<td>50-64</td>
<td>7%</td>
<td>27%</td>
</tr>
<tr>
<td>35-49</td>
<td>9%</td>
<td>38%</td>
</tr>
<tr>
<td>25-34</td>
<td>12%</td>
<td>37%</td>
</tr>
<tr>
<td>18-24</td>
<td>13%</td>
<td>43%</td>
</tr>
</tbody>
</table>

Source: Microsoft internal, market performance on owned and operated network, UK, Retail – Computers & Consumer Electronics query categories, 2019-2021
2021 year-to-date trends: Home & Garden
Recent openings have resulted in less online activity, but clicks are still close to 2020 levels

1. 2021 did not replicate the 2020 search volume pattern but is still above 2019 levels, currently showing -18% YoY decline

2. **Cost per clicks (CPCs)** have been going up in recent weeks, potentially due to changes in query mix, currently at +29% YoY

3. 2021 clicks had a head start vs. 2020 but could not replicate Mar-May 2020 growth, trending below 2020 since May but equal to 2020 in most recent week

Source: Microsoft internal, market performance on owned and operated network, UK, Retail – Home & Garden categories, 2019-2021
New ad formats are driving up category growth

**Ad type share of clicks 2021 YTD**
(UK, Home & Garden advertisers)

<table>
<thead>
<tr>
<th>Ad Type</th>
<th>Share of Clicks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Search ads</td>
<td>69%</td>
</tr>
<tr>
<td>Product ads</td>
<td>22%</td>
</tr>
<tr>
<td>Dynamic search ads</td>
<td>8%</td>
</tr>
</tbody>
</table>

**Ad type clicks YoY growth 2021 YTD**
(UK, Home & Garden advertisers)

<table>
<thead>
<tr>
<th>Ad Type</th>
<th>YoY Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Search ads</td>
<td>32%</td>
</tr>
<tr>
<td>Product ads</td>
<td>62%</td>
</tr>
<tr>
<td>Dynamic search ads</td>
<td>84%</td>
</tr>
</tbody>
</table>

*) Numbers might not add up due to rounding
Source: Microsoft internal, market performance on owned and operated network, UK, Retail – Home & Garden advertisers, 2020-2021 (up till August)
65+ outpacing average growth

YoY change in clicks by age group
(UK, Home & Garden)

- 65+: 53% (2021 YTD), 34% (2020)
- 50-64: 6% (2021 YTD), 5% (2020)
- 35-49: 12% (2021 YTD), 12% (2020)
- 25-34: 14% (2021 YTD), 14% (2020)
- 18-24: 6% (2021 YTD), 6% (2020)

Source: Microsoft internal, market performance on owned and operated network, UK, Retail – Home & Garden categories, 2019-2021
Focus on Black Friday
Prime Day not occurring in October may lead to additional Black Friday sales

The runup to Black Friday is expected to show increasing search volumes, as promotions get released by Retailers.

Consumers shopping for Christmas will continue to drive increased search volumes in the first weeks of December.

Amazon Prime Day will not happen in October this year, which potentially will drive consumers to shop more during Black Friday.

<table>
<thead>
<tr>
<th>NOVEMBER 2021</th>
<th>DECEMBER 2021</th>
</tr>
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<tbody>
<tr>
<td>S  M  T  W  T  F  S</td>
<td>S  M  T  W  T  F  S</td>
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<tr>
<td>1   2   3   4   5   6</td>
<td>1   2   3   4</td>
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<td>19  20  21  22  23  24  25</td>
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<td>28  29  30</td>
<td>26  27  28  29  30  31</td>
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</tbody>
</table>

- **Black Friday**
- **Cyber Monday**
- **Black Friday Week**
- **Christmas Day**
- **Boxing Day**
Apparel shows the highest acceleration towards Black Friday

### Daily clicks indexed – festive season 2020
(UK)

- **Apparel**: Volumes take off early November, data suggests this category is showing highest Black Friday impact.

- **Computers & Consumer Electronics**: Like Apparel, volumes start taking off early November, peaking on Black Friday with equally Cyber Monday uptick.

- **Home & Garden**: Showing slower growth towards Black Friday, yet interest is rising early November

Source: Microsoft internal, market performance on owned and operated network, UK, Retail, Oct-Dec 2020
As Black Friday approaches, consumers interact more with ads

**Average daily click uplift**

- **Apparel**
  - Black Friday: 131%
  - Cyber Monday: 54%
  - Black Friday Week: 40%

- **Beauty & Personal Care**
  - Black Friday: 130%
  - Cyber Monday: 55%
  - Black Friday Week: 39%

- **Computers & Consumer Electronics**
  - Black Friday: 110%
  - Cyber Monday: 56%
  - Black Friday Week: 42%

- **Home & Garden**
  - Black Friday: 68%
  - Cyber Monday: 43%
  - Black Friday Week: 19%

- **Sports & Fitness**
  - Black Friday: 55%
  - Cyber Monday: 40%
  - Black Friday Week: 33%

**Average click-thru-rate (CTR) uplift**

- **Black Friday**
  - Apparel: 26%
  - Beauty & Personal Care: 21%
  - Computers & Consumer Electronics: 5%
  - Home & Garden: 7%
  - Sports & Fitness: 6%

- **Cyber Monday**
  - Apparel: 8%
  - Beauty & Personal Care: 9%
  - Computers & Consumer Electronics: 7%
  - Home & Garden: 3%
  - Sports & Fitness: 5%

- **Black Friday Week**
  - Apparel: 15%
  - Beauty & Personal Care: 7%
  - Computers & Consumer Electronics: 6%
  - Home & Garden: 7%
  - Sports & Fitness: 5%

**Average CPC uplift**

- **Black Friday**
  - Apparel: 10%
  - Beauty & Personal Care: 14%
  - Computers & Consumer Electronics: 10%
  - Home & Garden: 14%
  - Sports & Fitness: 13%

- **Cyber Monday**
  - Apparel: 14%
  - Beauty & Personal Care: 38%
  - Computers & Consumer Electronics: 10%
  - Home & Garden: 18%
  - Sports & Fitness: 12%

- **Black Friday Week**
  - Apparel: 18%
  - Beauty & Personal Care: 13%
  - Computers & Consumer Electronics: 9%
  - Home & Garden: 9%
  - Sports & Fitness: 13%

1. Black Friday is especially strong for **Apparel** and **Beauty & Personal Care**

2. People increasingly interact with ads when promotional days occur

3. CPCs generally go up

*) Uplift measured by comparing Black Friday average performance, Cyber Monday average performance and Black Friday week average performance to average daily performance in first 3 weeks November

Source: Microsoft internal, Bing Search and Yahoo Search, UK, Q4 2020
Black Friday interest started to accelerate from November 22nd

Daily searches for Black Friday
terms that include ‘Black Friday’, UK

Retailers release Black Friday week promotions on Sunday

Source: Microsoft internal, market performance on owned and operated network, UK, searches that include ‘black friday’, November 2020
Black Friday starts off with early deal-hunters, with increased activity into late in the evening.

1. Early deal hunters cause increased activity in the first half of Black Friday.
2. Consumer activity stretches out till later in the evening. It’s important to have enough budget to capture demand.
3. Compared to Friday before, average CPCs are generally higher on Black Friday.
4. Due to the increased intent of users to buy something, click-thru-rates (CTRs) during Black Friday are higher as users interact more with ads.

Source: Microsoft internal, market performance on owned and operated network, UK, Retail – Apparel categories, Black Friday 2020
Computer & Consumer Electronics

Early deal-hunters start at midnight, lifting AM click volumes

1. Early deal hunters cause increased activity at the start of Black Friday

2. Compared to Friday before, average CPCs are generally slightly higher on Black Friday

3. Click-thru-rates (CTRs) during Black Friday are almost constant compared to previous Friday

Source: Microsoft internal, market performance on owned and operated network, UK, Retail - Computers & Consumer Electronics categories, November 2020
Early deal-hunters start at midnight, lifting AM click volumes

1. **Early deal hunters** cause increased activity at the start of Black Friday

2. **Clicks** stretch into the evening, ensure enough daily budget to capture this

3. Compared to Friday before, average CPCs are generally **higher** on Black Friday

4. Due to the increased intent of users to buy something, click-thru-rates (CTRs) during Black Friday are **higher** as users interact more with ads

Source: Microsoft internal, market performance on owned and operated network, UK, Retail – Home & Garden categories, November 2020
Festive season **recommended preparations**

- Reserve **enough budget** to ensure visibility throughout holiday season
- Start **influencing early** as demand heats up
- Check **bid modifiers** to capture volume during Black Friday period
- Utilize **Dynamic Search Ads** to gain flexibility, efficiency and scale
- Make sure your **Microsoft Shopping Campaigns** are ready to go
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Microsoft Advertising. Great relationships start here.