Microsoft

2020 Smartphone launch

July, 2020

MICROSOFT ADVERTISING

Key Findings

COVID-19

Survey research shows that most respondents will not feel comfortable in-store shopping this holiday season. Advertisers should prepare for online-heavy shopping.

Research also shows that the sale of online handsets drastically increased from 2019 to 2020 with this trend likely to continue

COVID-19 is changing the way Microsoft Network users switch phone brands and use bandwidth

Projections

Non-brand phone searches are expected to nearly double year-over-year (YoY) from positive momentum so far in 2020

While Apple searches are expected to increase, they may not see as big of a spike as device launch 2019. Samsung, however, with multiple 5G devices coming, is predicted to spike slightly higher than 2019.

5G search volume is experiencing the most growth YoY. Searches for older phone models also picked up post-COVID, with this trend expected to continue.

5G

5G is heating up. Carrier associations with 5G is changing as a result of news, paid media, and network development. T-Mobile is growing share of mind.

Bing users need more awareness as to why 5G is relevant to them- it may influence decisions to buy 5G products.

Apple 5G association continues to be a force and will be even more so post launch, especially with the wave of Super Cycle upgraders deciding what to purchase next

Query path

Post COVID-19 we see non-brand queries increasingly showing up in paths and becoming a larger part of the consumer search journey. Using non-brand strategically to influence a consumer over time to search on your brand will significantly help as paths that start with a brand query will have a much higher probability of that path ending in a click on that brand related query.

Audience insights

The majority of Microsoft Network users are iPhone owners

Additionally, mobile phone customers are also frequently in the market for computers and computer gadgets/gear. Customers in the market for mobile phone service providers are frequently in the market for toys and games.

The majority of Microsoft network users are loyal to the smartphone brand they currently own and also price conscious

Microsoft Audience Network

The Microsoft Audience Network should be an important part of your activation plan with Microsoft Advertising

Click volume for Tech & Telco advertisers on the Audience Network has grown significantly in 2020

Technology advertisers have experienced a notable lift in Search activity from users who have seen their Audience Network ads

All creative and targeting strategies from Search can be extended for further reach in Native

Contents

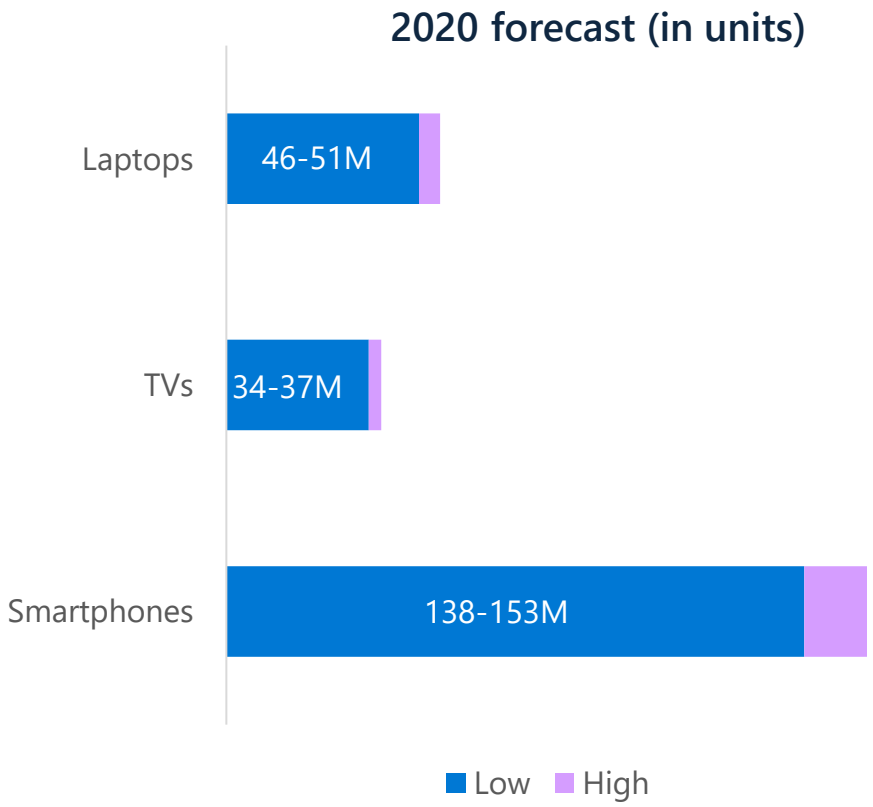
Microsoft

Device launch amid the COVID-19 pandemic

Microsoft

How is the pandemic affecting the technology hardware market?

Forecast for U.S. consumer electronic sales for 2020



Source: Statista 2020

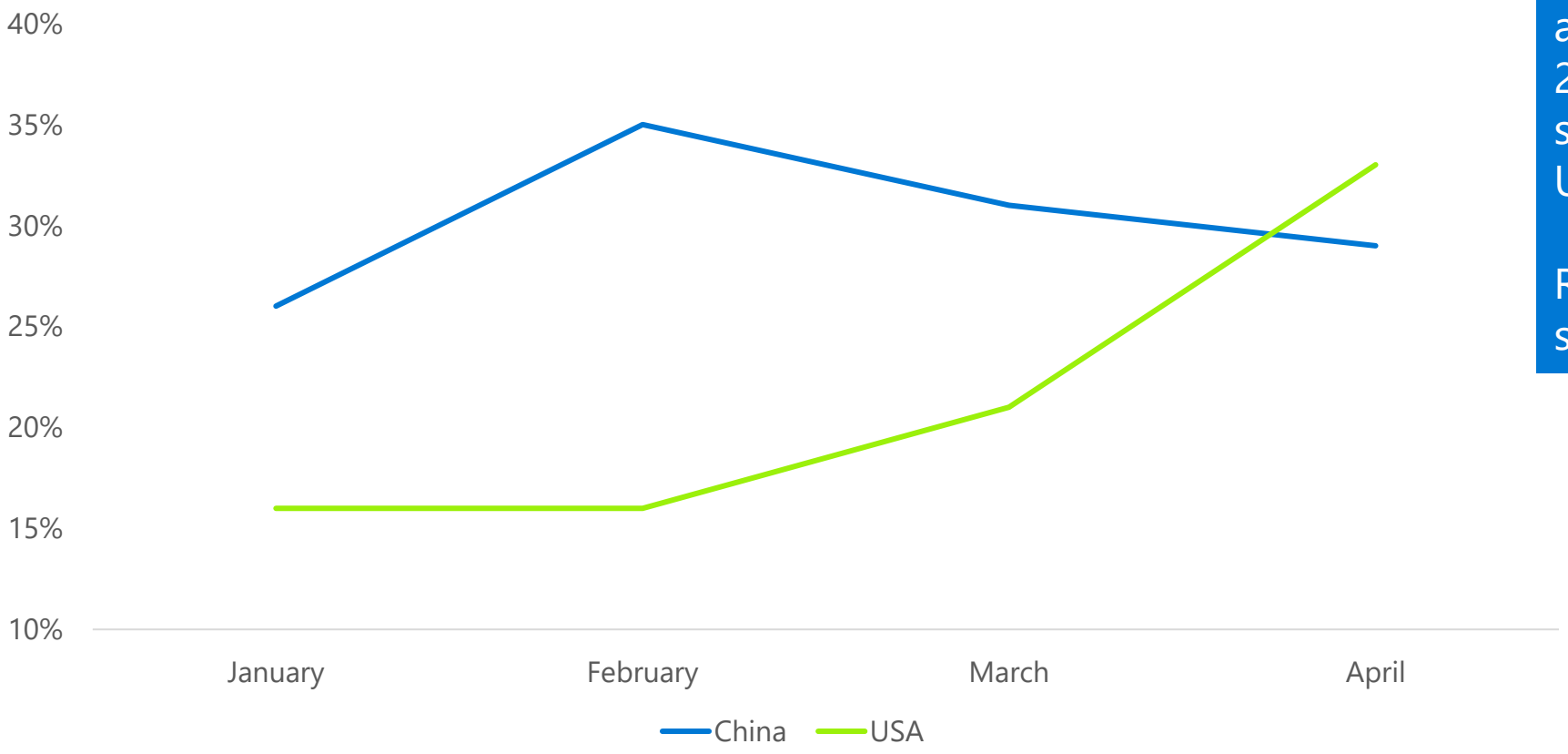
"Estimates are that over **1/3 of iPhones** used globally are in **"upgrade-window"**, something Apple are very excited about given increased savings combined with the **release of 5G products this Fall**."

- *www.marketwatch.com*

Microsoft

Online sales of smartphones in 2020

The affect of COVID-19 on how consumers purchase smartphone



In 2019 the online share of handset sales was 25% in China and 14% in the U.S.. As of April 2020, almost 35% of handset sales have been online in the U.S. compared to ~30% in China.

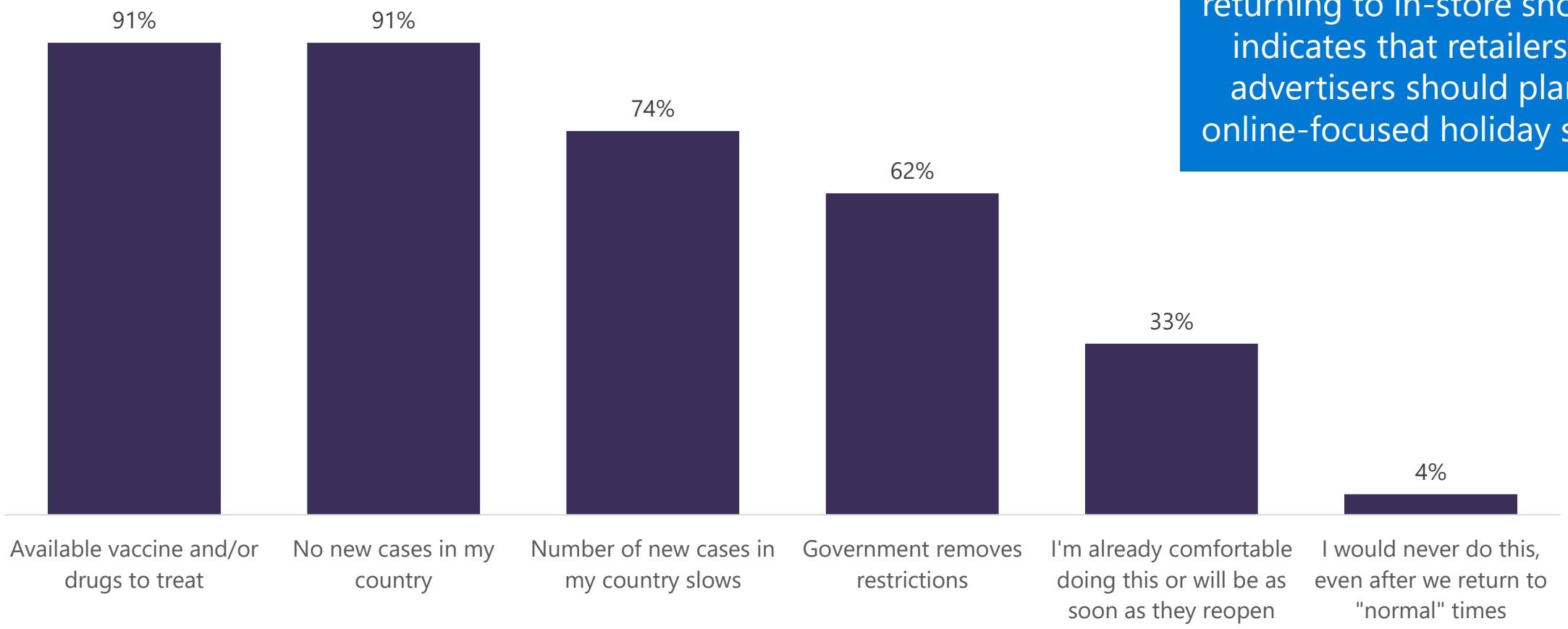
Retailers should expect that the sale of handsets to continue

Source: Counterpoint Research 2020

Microsoft

What will it take to get shoppers back in stores?

Customers sentiment on when shopping will resume at local stores



Shopper sentiment on returning to in-store shopping indicates that retailers and advertisers should plan for online-focused holiday season

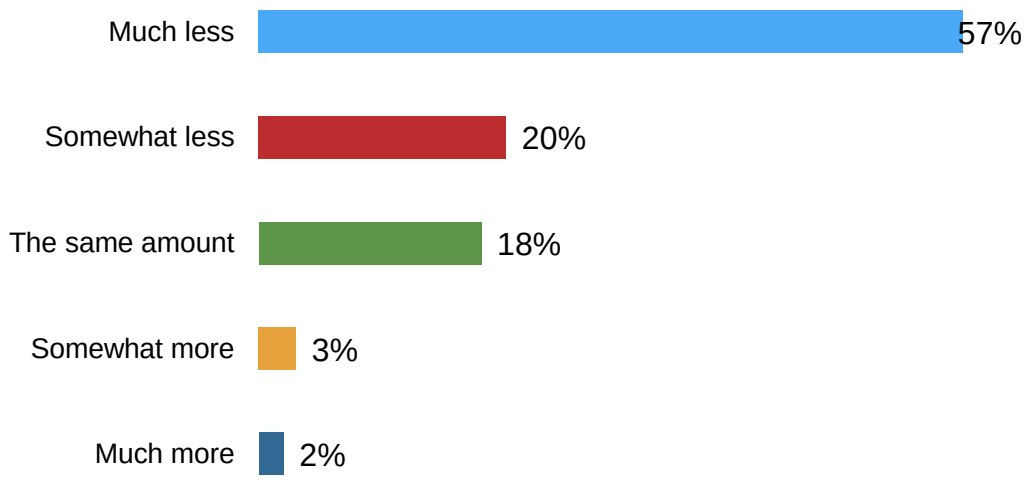
Source: Statista April 2020

Microsoft

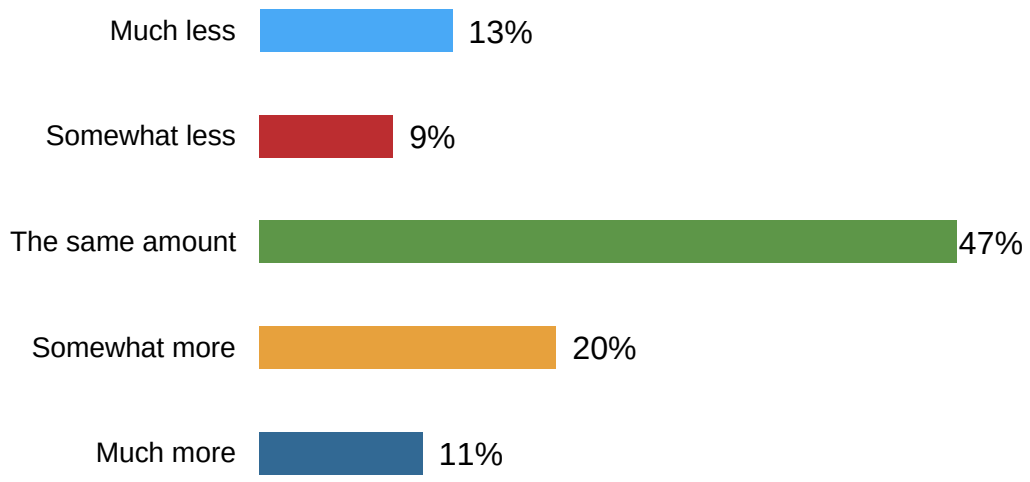
U.S. consumers are shopping much less in stores

Data from market research firm CivicScience states that 77% of customers are shopping less in stores while 31% are shopping more online

Are you shopping in stores (not including for groceries) more or less than you typically would this time of year?



Are you shopping online (not including for groceries) more or less than you typically would this time of year?



Source: Data from market research firm, CivicScience April 2020
https://civicscience.com/latest/ for more information

Microsoft Network consumers are attending more virtual events

Thus placing more importance on increased bandwidth, consistent data speeds, and the lack of throttling

Virtual events

23% have attended a virtual event that's replaced a traditional in person event

A further **32% haven't attended one yet but will consider it**

18-34s have attended virtual events more (30%)

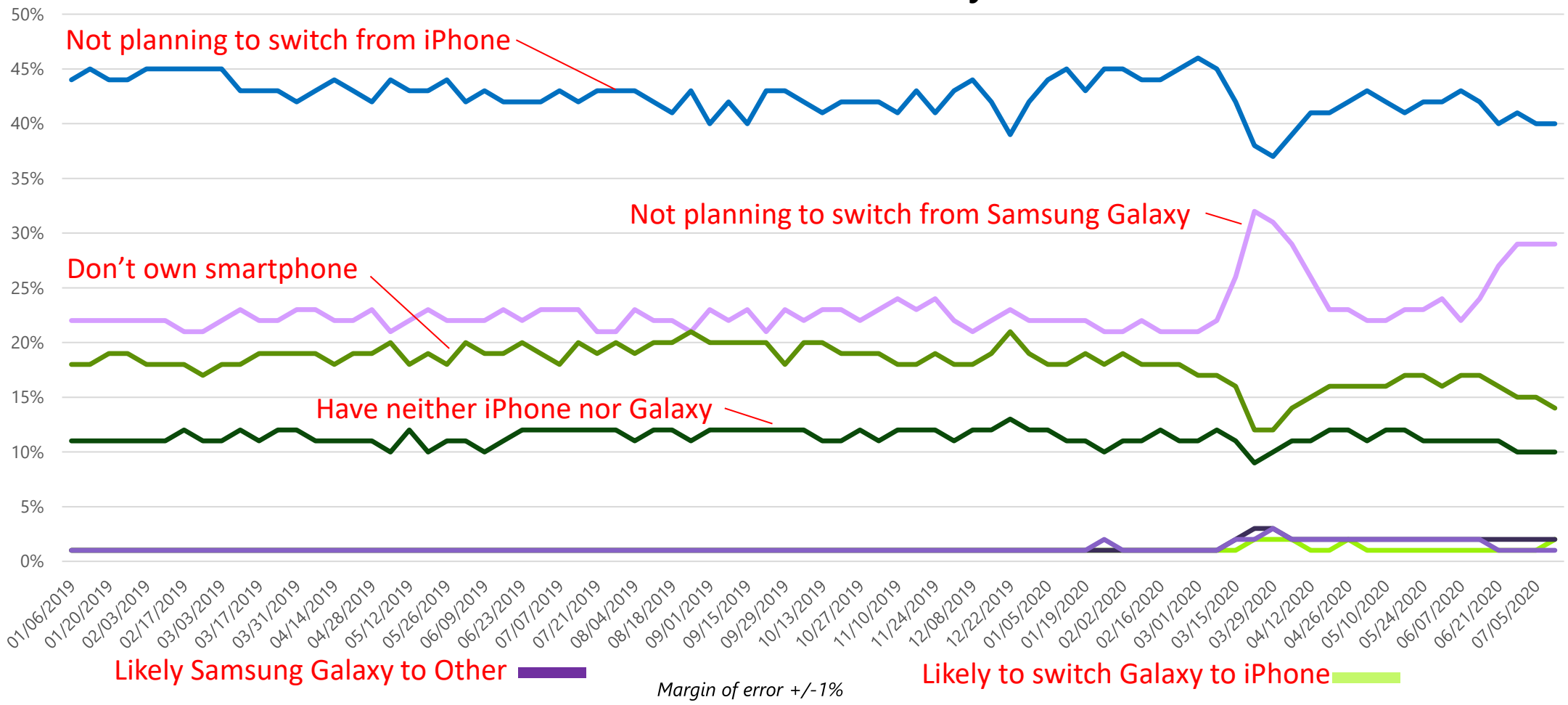
35-54s are more likely to attend in future (35%)

Source: MSN CivicScience US on site user survey 18+ years May-June 20.

The pandemic has changed brand phone loyalties

iPhone users plan to be less loyal while Samsung users increased self-reported loyalty. Also, more people planned to buy smartphones.

How likely are you to switch from your current smartphone to another in the next 90 days?



Margin of error +/-1%

Source: MSN Data from market research firm, CivicScience 2019 – July 12, 2020

Microsoft

Next steps

COVID-19

- Ensure proper coverage for shopping campaigns
- Consider conquest terms during launch
- Communicate messaging around unlimited plans and bandwidth

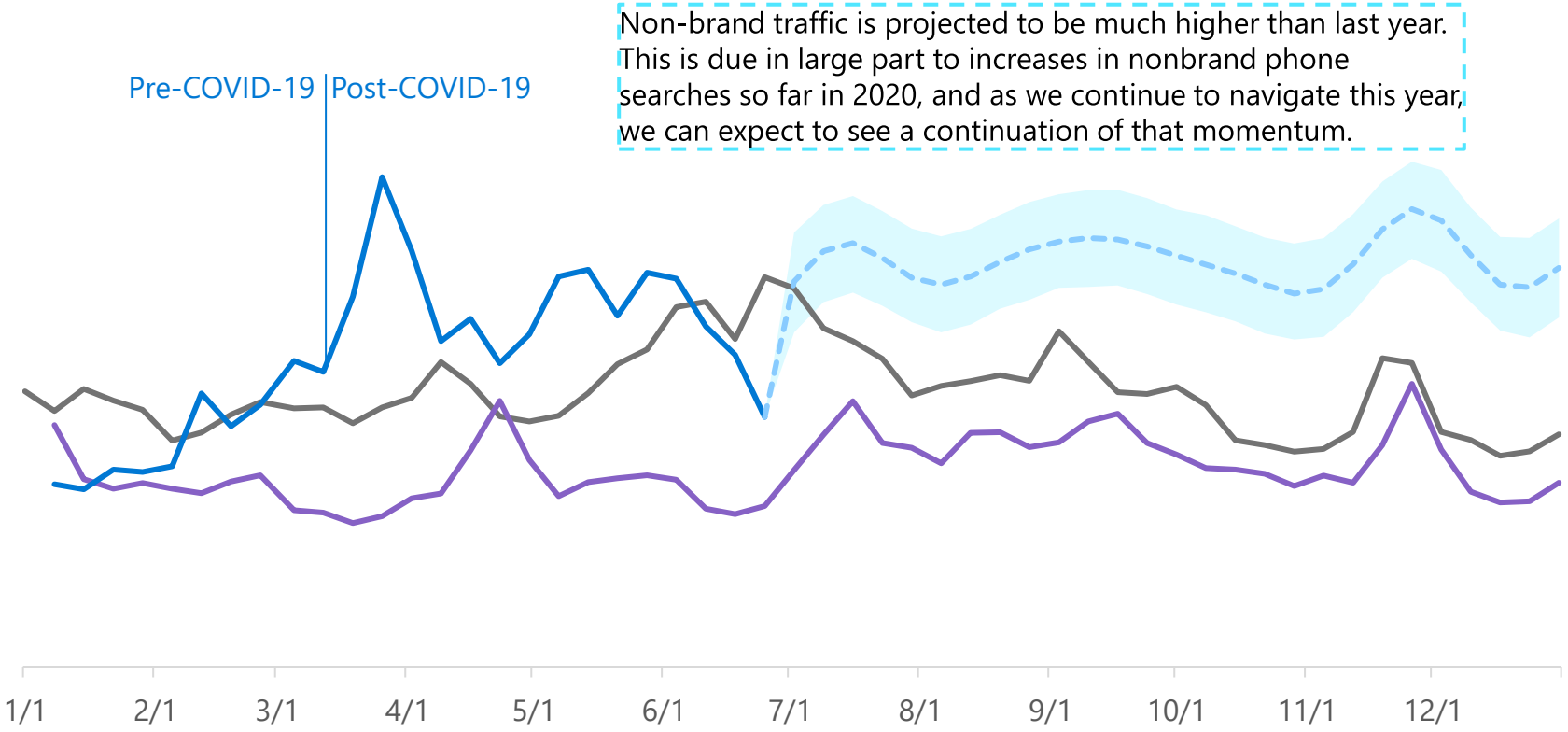
Projections

Microsoft

Non-brand phone searches are projected to increase

Non-brand searches relating to mobile devices

Non-brand



2020 Actuals
2019 Actuals
2018 Actuals
Forecast

+84%
Projected 2020 YoY change from 2019

Disclaimer: Forecasts should be used as directional only and to gauge where volume will be based on the current state of the market (as of the week of 6/29). Due to COVID-19 and market volatility, changes to this projection are highly likely.

Source: Microsoft Advertising Internal Data; January 1, 2018 – June 29, 2020; methodology in notes section

Comparing 2020 and 2019 year to date (YTD)

+90%
Year-over-year (YoY) click growth

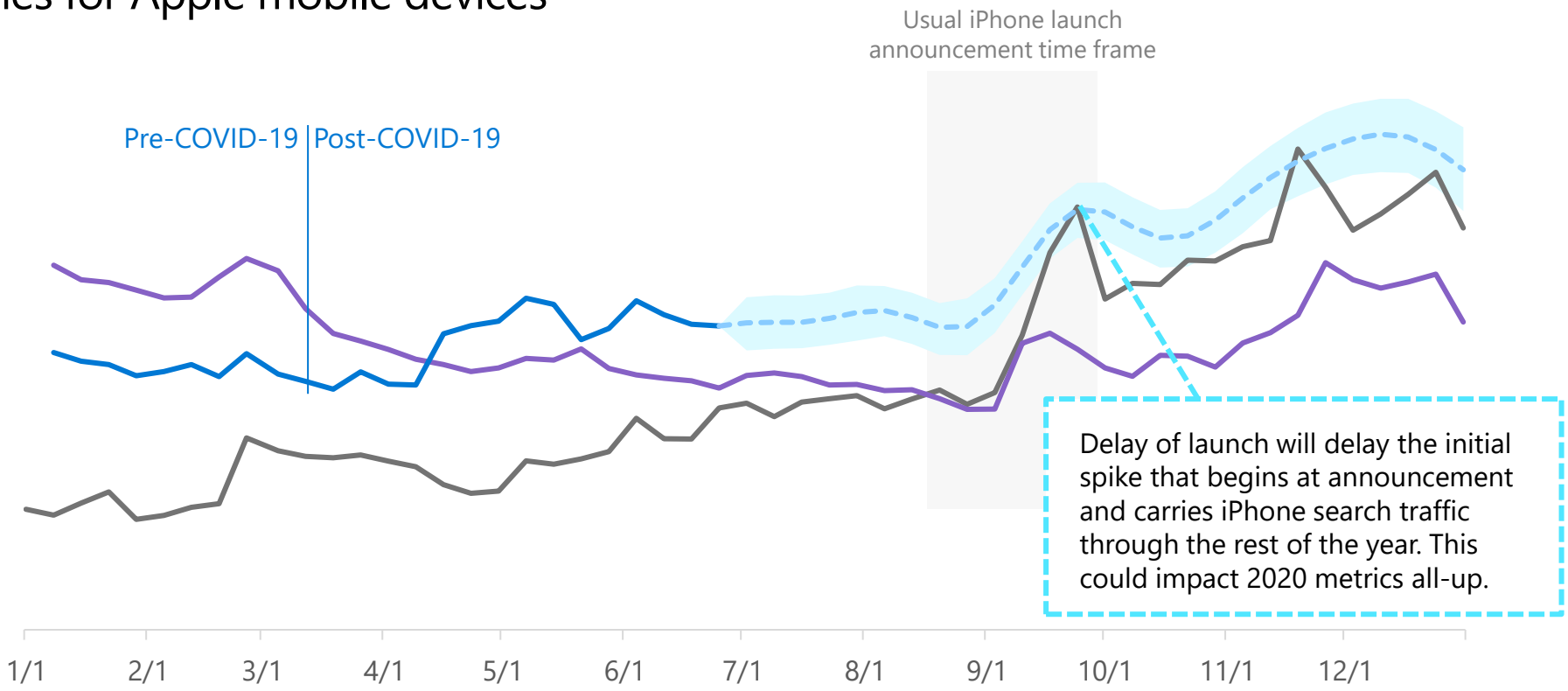
+43%
Product Ad YoY click growth

+125%
Mobile YoY click growth

Microsoft

Apple searches are expected to increase, but may see a lower spike around their new device launch than last year

Searches for Apple mobile devices



2020 Actuals
2019 Actuals
2018 Actuals
Forecast

+19%
Projected 2020 YoY change from 2019

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Source: Microsoft Advertising Internal Data; January 1, 2018 – June 29, 2020; methodology in notes section

Apple iPhone

Comparing 2020 and 2019 YTD

+8%
YoY click growth

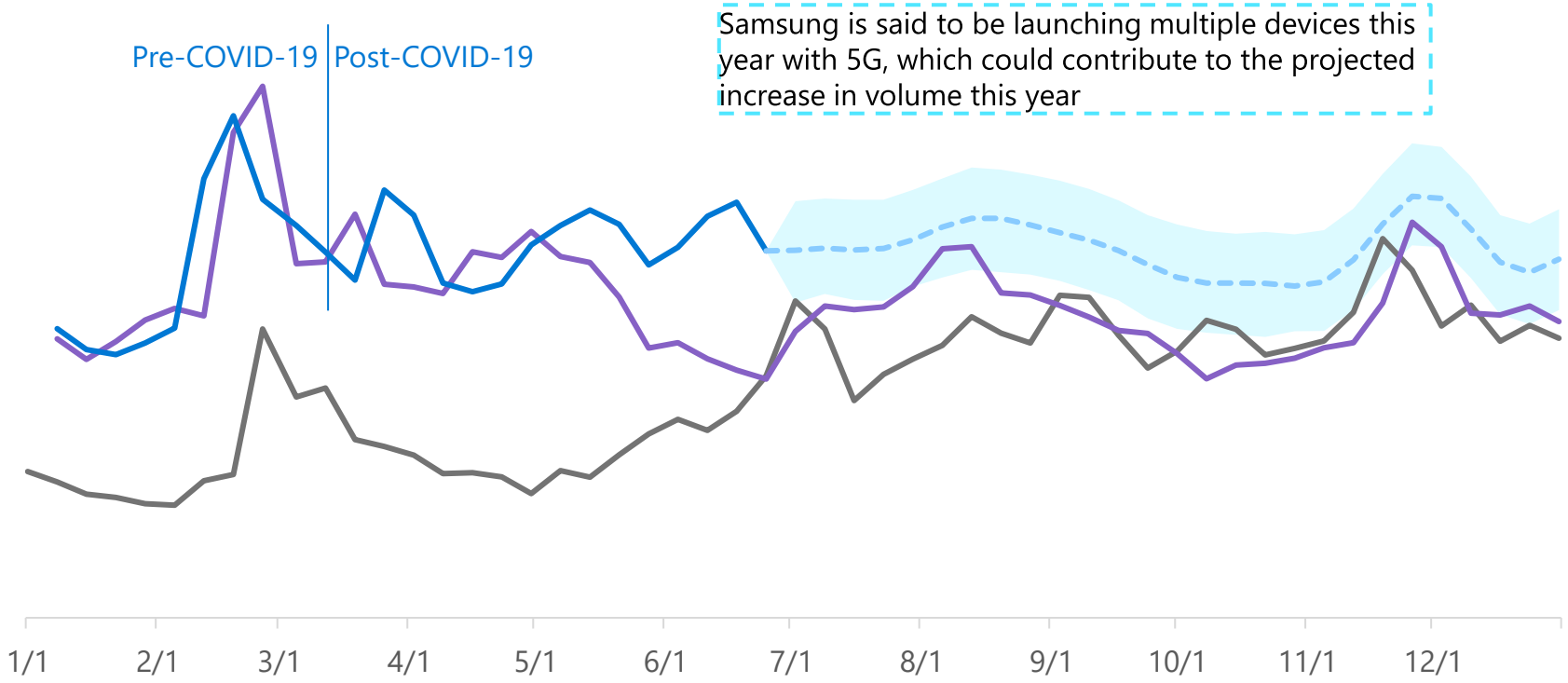
+6%
Product Ad YoY click growth

+3%
Mobile YoY click growth

Microsoft

Samsung mobile device searches will increase, and if launch dates remain consistent, so will new device traffic

Searches for Samsung Galaxy phones



2020 Actuals
2019 Actuals
2018 Actuals
Forecast

+18%
Projected 2020 YoY change from 2019

Disclaimer: Forecasts should be used as directional only and to gauge where volume will be based on the current state of the market (as of the week of 6/29). Due to COVID-19 and market volatility, changes to this projection are highly likely.

Source: Microsoft Advertising Internal Data; January 1, 2018 – June 29, 2020; methodology in notes section

Samsung Galaxy

Comparing 2020 and 2019 YTD

+13%
YoY click growth

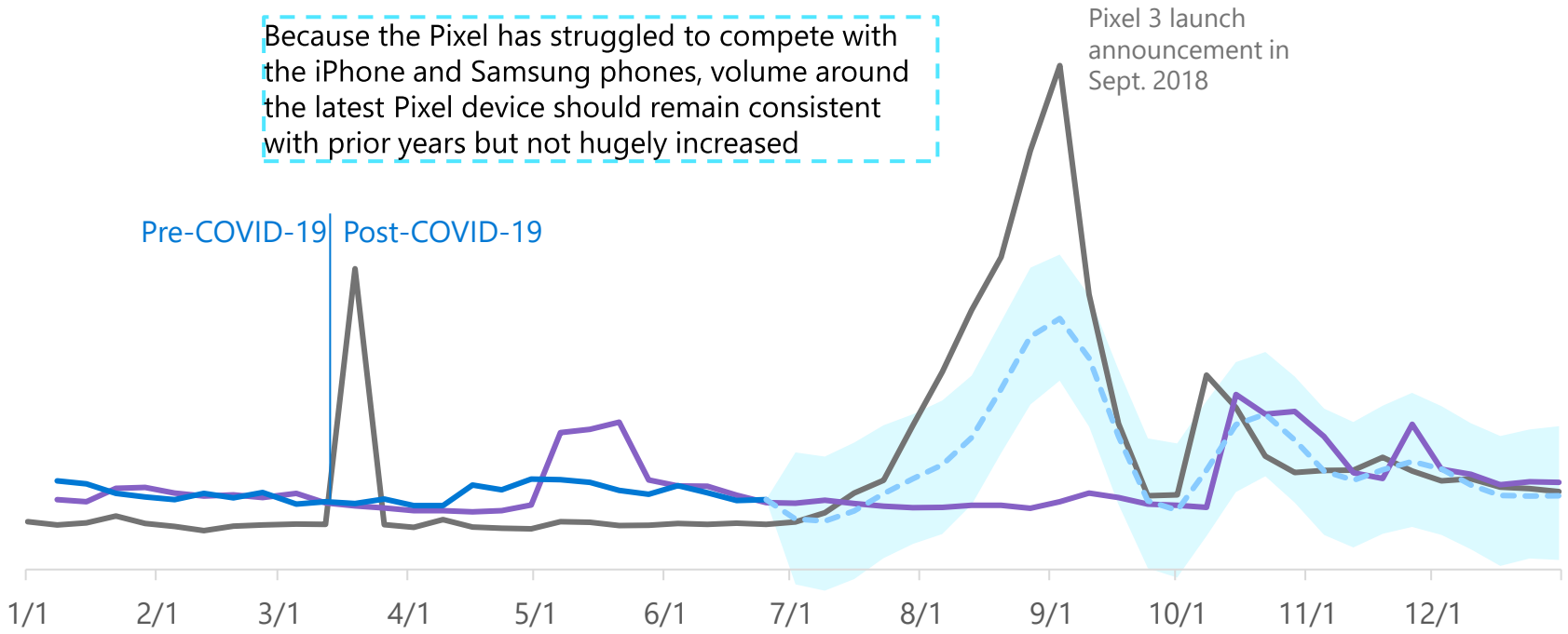
+31%
Product Ad YoY click growth

+9%
Mobile YoY click growth

Microsoft

Pixel is unlikely to see major changes in search traffic without major interest in their new device

Searches for Google Pixel



2020 Actuals
2019 Actuals
2018 Actuals
Forecast

+14%
Projected 2020 YoY change from 2019

Disclaimer: Forecasts should be used as directional only and to gauge where volume will be based on the current state of the market (as of the week of 6/29). Due to COVID-19 and market volatility, changes to this projection are highly likely.

Source: Microsoft Advertising Internal Data; January 1, 2018 – June 29, 2020; methodology in notes section

Google Pixel

Comparing 2020 and 2019 YTD

-31%
YoY click growth

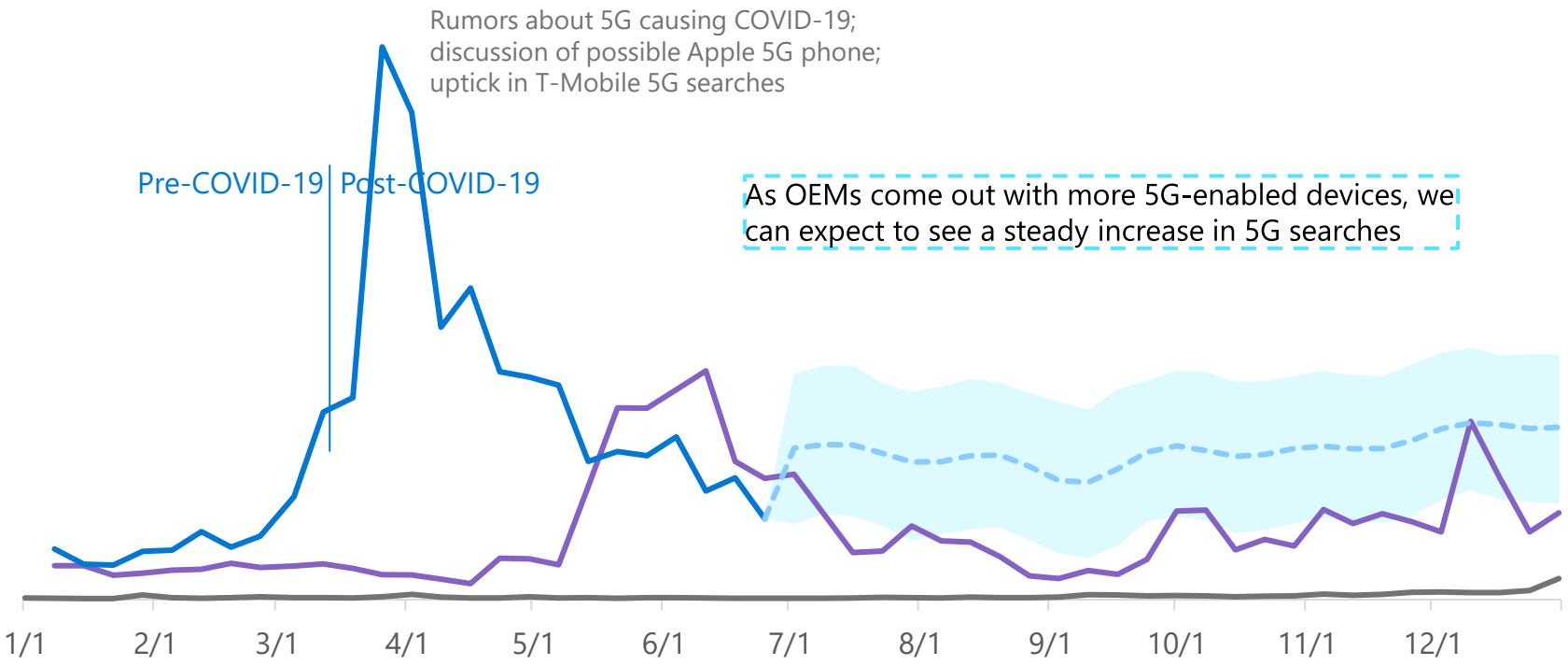
+3%
Product Ad YoY click growth

-28%
Mobile YoY click growth

Microsoft

5G traffic continues to steadily increase year over year, and is expected to continue its upward trajectory through 2020

Searches relating to 5G



2020 Actuals
2019 Actuals
2018 Actuals
Forecast

+127%
Projected 2020 YoY change from 2019

Disclaimer: Forecasts should be used as directional only and to gauge where volume will be based on the current state of the market (as of the week of 6/29). Due to COVID-19 and market volatility, changes to this projection are highly likely.

Source: Microsoft Advertising Internal Data; January 1, 2018 – June 29, 2020; methodology in notes section

5G

Comparing 2020 and 2019 (Year to Date)

+65%
YoY click growth

+758%
Product Ad YoY click growth

+61%
Mobile YoY click growth

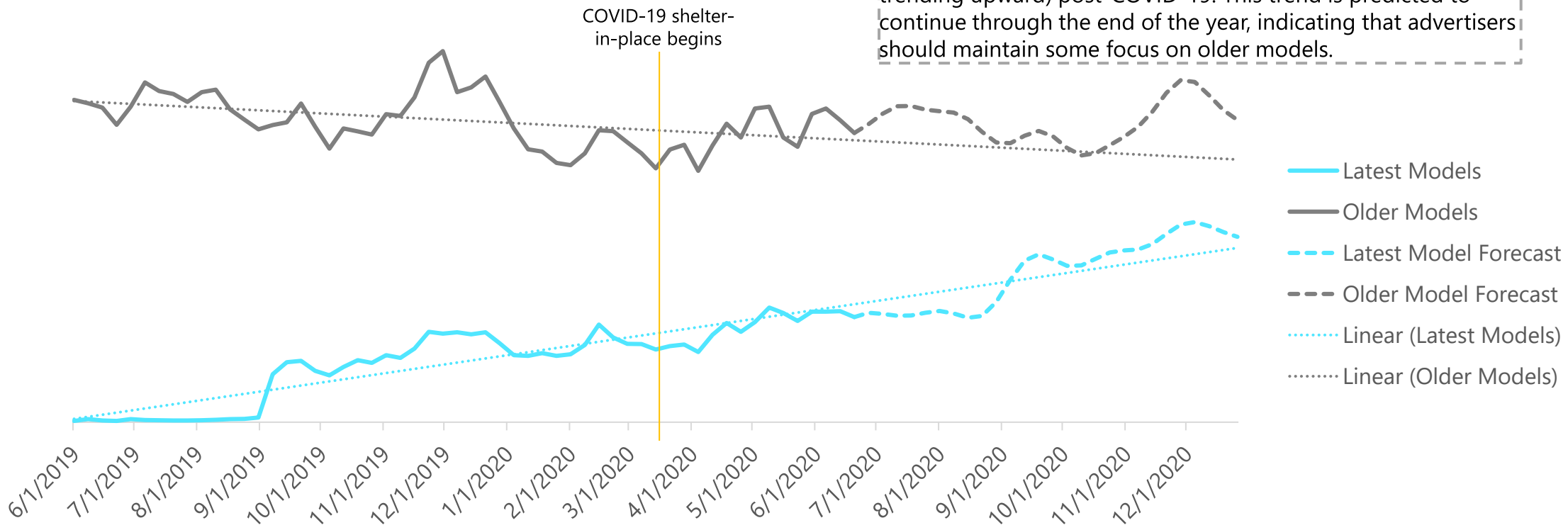
Microsoft

As searches for new models go up, searches for old models go down; old models did see a spike post-COVID-19

New vs. old

Searches for the latest phone models vs. older phone models

Searches for older phone models changed trajectory (started trending upward) post-COVID-19. This trend is predicted to continue through the end of the year, indicating that advertisers should maintain some focus on older models.



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Source: Microsoft Advertising Internal Data; January 1, 2018 – June 29, 2020; methodology in notes section

Microsoft

Next steps

Projections

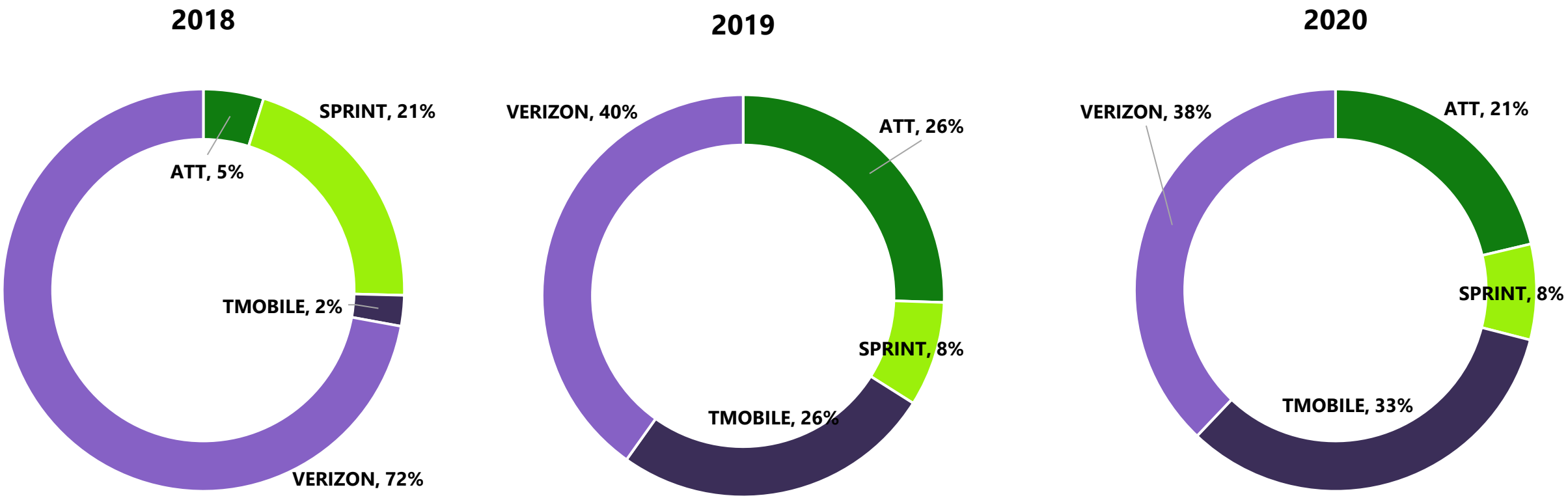
- Forecasts show positive momentum in search traffic through the end of 2020, meaning device launch traffic could beat that of previous years and advertisers should plan to meet this demand. Delayed launch dates would likely not impact volume, just prolong the spikes.
- Searches for older phone models changed trajectory (started trending upward) post-COVID-19. This trend is predicted to continue through the end of the year, indicating that advertisers should maintain some focus on older models.

5G update

Microsoft

T-Mobile has gained the most share from AT&T

Search volume share across “carrier 5G” and “carrier 5G network” terms

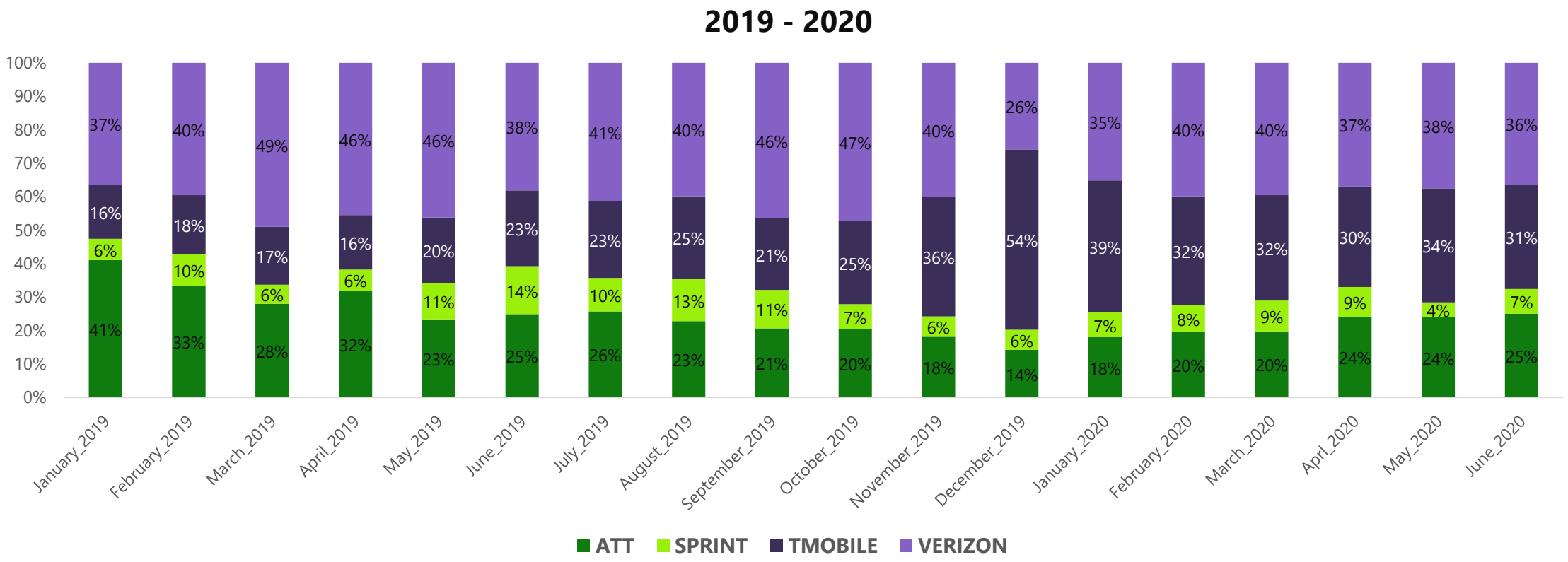


Source: Microsoft Advertising Internal Data 2019- June 2020

Microsoft

T Mobile gains the most YoY share

Trended search volume share across “carrier 5G” and “carrier 5G network” terms

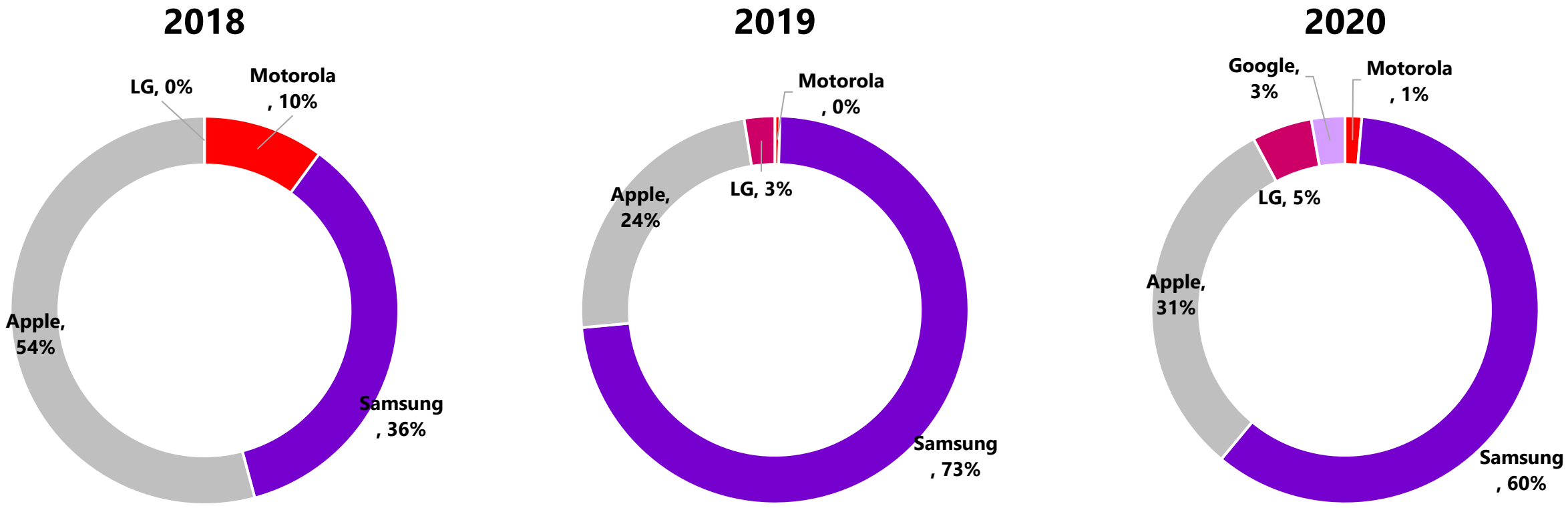


Source: Microsoft Advertising Internal Data 2019- June 2020

Microsoft

Anticipation for Apple 5G phones grows in 2020

Search volume share across "*brand* 5G" and "*brand* 5G phone" terms



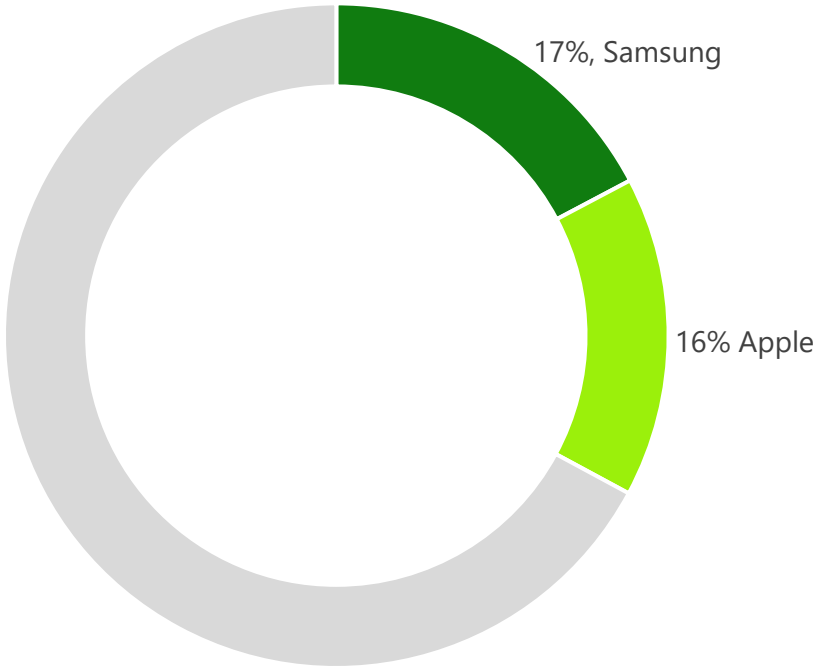
Source: Microsoft Advertising Internal Data 2019- June 2020

Microsoft

Last year Microsoft Network users associated 5G with Apple as much as they did with Samsung

Without launching a 5G handset last year, Apple has an interesting advantage due to this false perception despite Samsung being among the first to offer 5G phones

Associate with 5G mobile phone service



Margin of error +/-3%

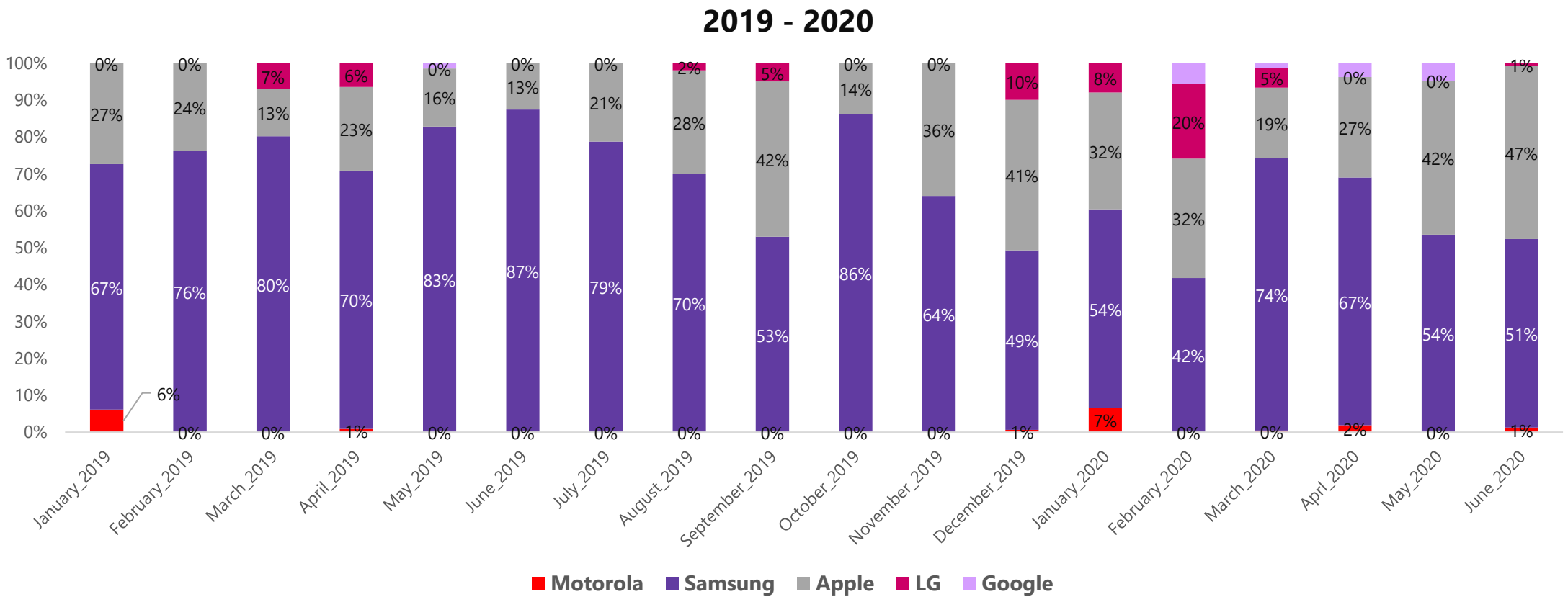
Apple is also riding momentum from recent rumors of a full line up of 5G iPhones, contributing to the searches for 5G iPhones

Source: MSN Data from market research firm, CivicScience August, 2019

Microsoft

Anticipation for Apple 5G phones grows in 2020

Search volume share across "*brand* 5G" and "*brand* 5G phone" terms



Source: Microsoft Advertising Internal Data 2019- June 2020

Microsoft

Preparing for the Apple “super cycle” may help increase 5G demand

Demand steadily rebounded in China in June, and as other nations contain the coronavirus and lift lockdowns, the stage is set for "massive pent up" interest in the iPhone 12...Roughly 350 million of Apple's 950 million iPhones worldwide are set for an upgrade in the fall. With a new range of phones spanning price points and 5G capability, the company is positioned for demand to spike over the next 12 to 18 months

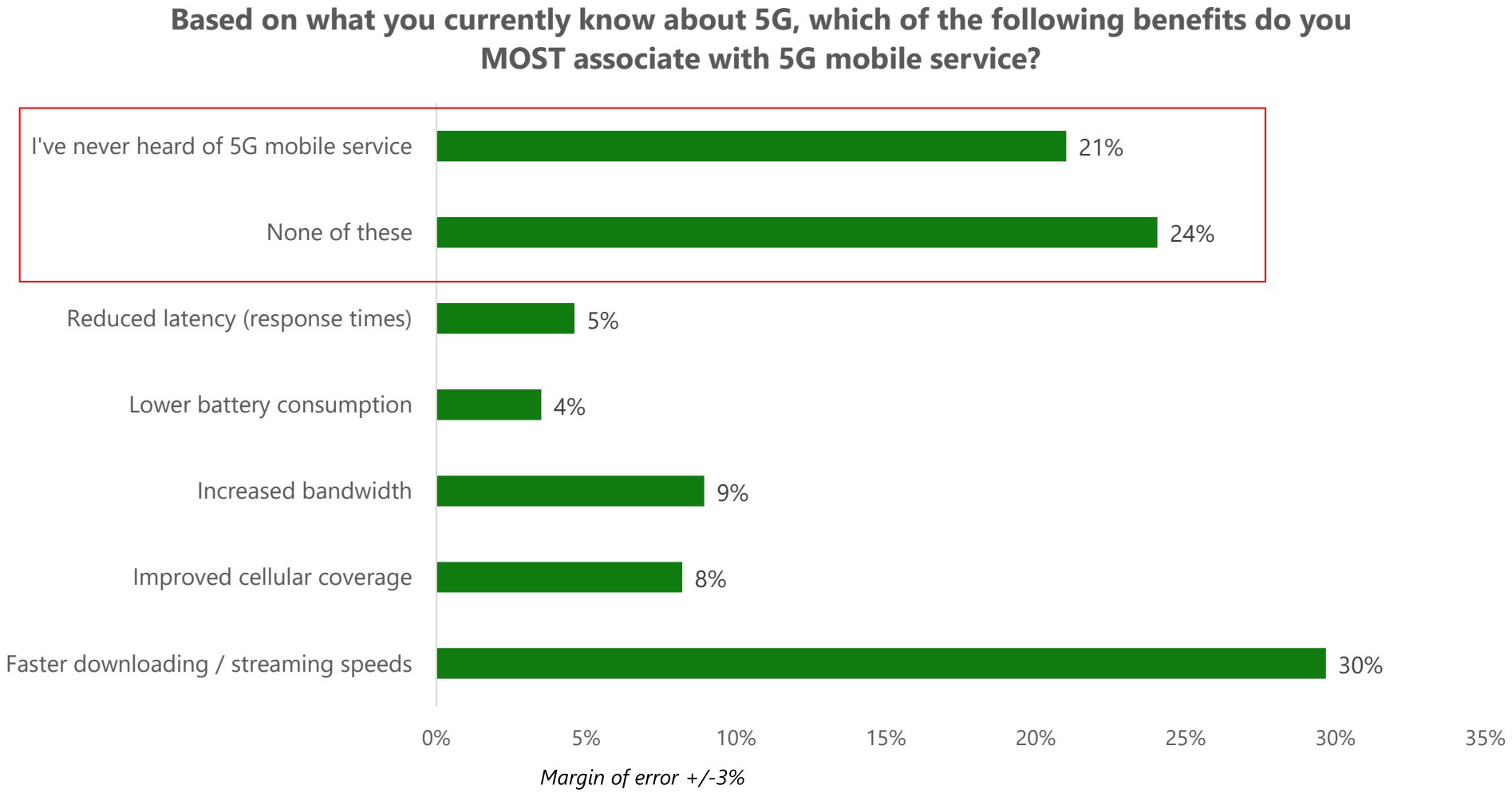
~ Dan Ives, analyst at Wedbush Securities

Over 1 out of 3 iPhone users (~37%) worldwide are due for an upgrade in the fall of 2020

Source: Ben Wink. (2020, July 13) Apple has a new Street-high price target - and the bullish analyst sees shares leaping 17% on 'massive' iPhone 12 demand

Microsoft

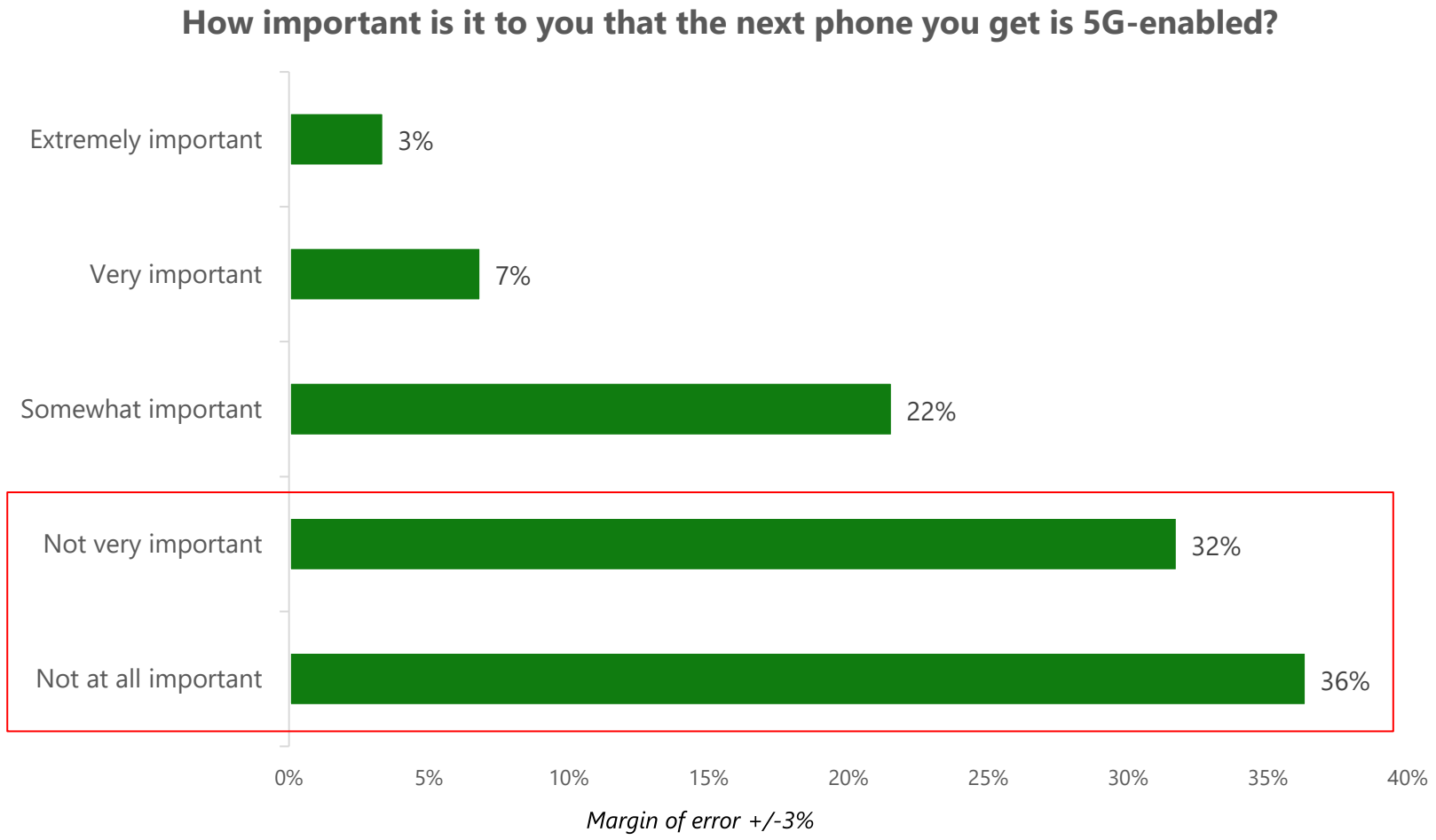
Half of Microsoft Network users require education around 5G



Source: MSN Data from market research firm, CivicScience August, 2019

Microsoft

Having a 5G phone is unimportant to the majority of Microsoft Network users



Source: MSN Data from market research firm, CivicScience August, 2019

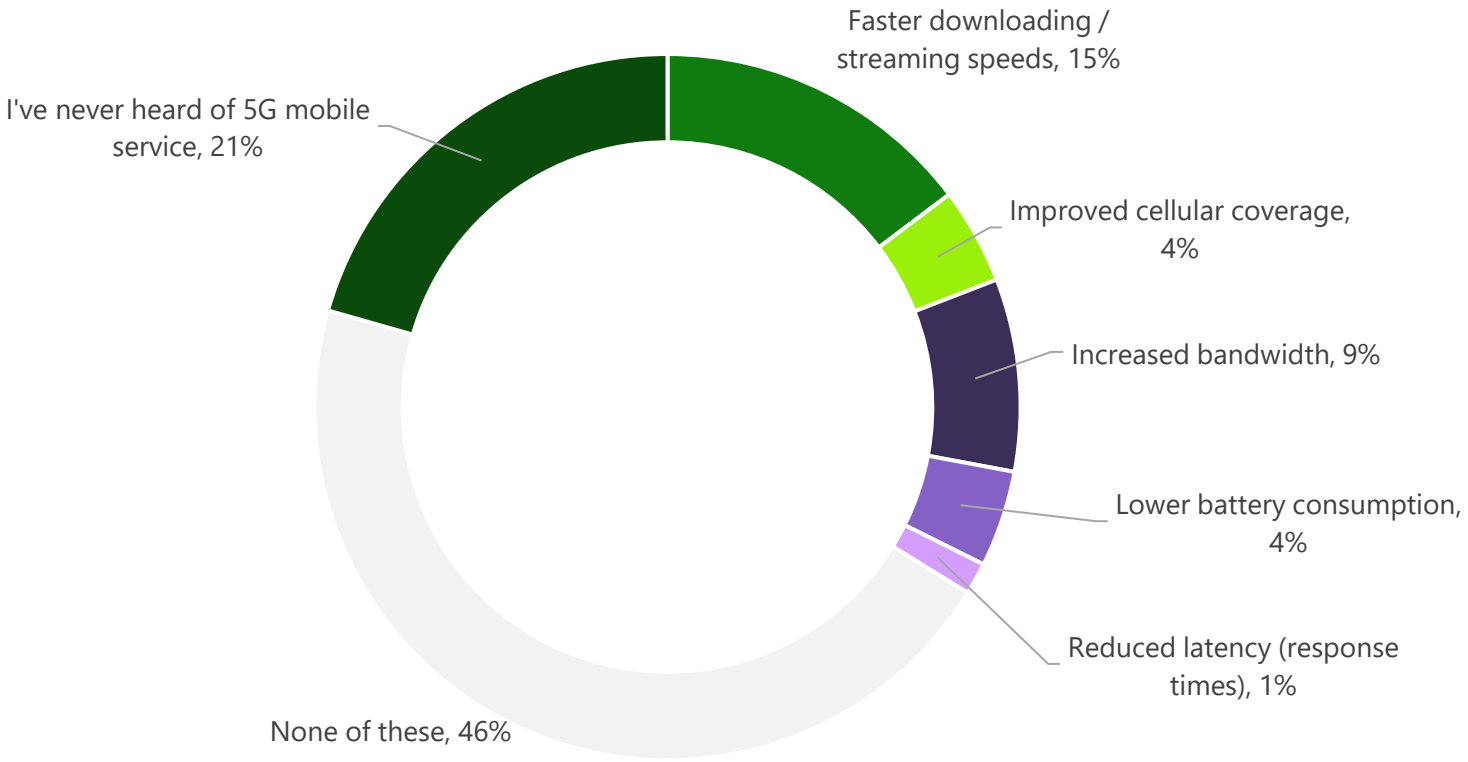
Microsoft

5G may not be important due to the lack of awareness around 5G

Those who stated the importance of 5G in their next phone don't know the benefits of 5G

Which of the following benefits do you MOST associate with 5G mobile service?

Segmented by those who answered "not important" to How important is it to you that the next phone you get is 5G-enabled?



Disclaimer: the data above is represented by a small sample size and may not be reflective of users across the Microsoft network

Source: MSN Data from market research firm, CivicScience August, 2019

Microsoft

Next steps

5G

- Carriers need to continue their quest to educate, differentiate, and incentivize 5G plans through brand and non brand efforts
- Anticipate a big surge in 5G phones as Apple launches its first 5G device – the appetite is already there even without 5G iPhones now. Carriers need to leverage this launch to their advantage.

Query paths

Microsoft

The beginning of a path can illuminate what a consumer will likely click on at the end of their path. This was the result of the 2019 device launch and holiday season.

Microsoft

Over the last 3 years the number of non-brand queries has increased in paths for Telco and OEM's. Consumers show us non-brand is a significant step in the path to their last click.

Path starts

Non-brand

Middle queries

Non-brand	32%
Apple hardware	26%
Postpaid carrier	23%
Samsung hardware	9%
Prepaid carrier	6%

Path ends

Postpaid carrier	62%
Prepaid carrier	14%
Non-brand	13%
Samsung hardware	2.5%
Apple hardware	7.5%

(1% other)

Total query path

When a path starts with a non-brand query

Non-brand
38%

Apple hardware
21%

Postpaid carrier
24%

Samsung hardware
8%

Prepaid carrier
6%
(3% other)

Source: Microsoft Advertising Internal Data; July 2019- December 2019

Microsoft

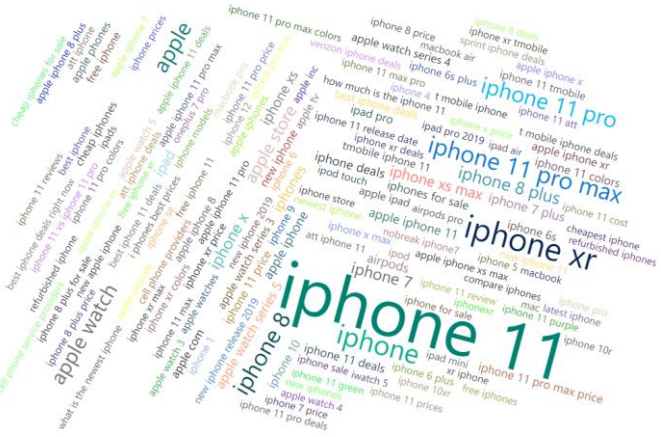
Consumer interest in Apple continues to be strong through each stage of the path. However, non-brand and Samsung hardware queries are used for cross shopping and research.

Path starts

Middle queries

Path ends

Apple hardware



Middle queries	
Non-brand	11%
Apple hardware	60%
Postpaid carrier	17.5%
Samsung hardware	6%
Prepaid carrier	3%

(2.5% other)

Path ends	
Postpaid carrier	54%
Prepaid carrier	9.5%
Non-brand	4%
Samsung hardware	1.5%
Apple hardware	30%

(1% other)

Source: Microsoft Advertising Internal Data; July 2019- December 2019

Total query path

When a path starts with an Apple hardware query

Total query path	
Non-brand	9%
Apple hardware	64%
Postpaid carrier	17.5%
Samsung hardware	4.5%
Prepaid carrier	3%

(2% other)

Microsoft

Nearly 50% of total queries are on a Samsung hardware query when a path starts with Samsung. Cross shopping of Apple and non-band make up 27% of total queries.

Path starts

Samsung hardware

Middle queries

Non-brand	14.5%
Apple hardware	18.5%
Postpaid carrier	17%
Samsung hardware	42%
Prepaid carrier	3.5%

(4.5% other hardware)

Path ends

Postpaid carrier	51%
Prepaid carrier	11%
Non-brand	6%
Samsung hardware	24%
Apple hardware	6.5%

(1.5% other)

Total query path

When a path starts with a Samsung hardware query

Non-brand	12%
Apple hardware	15%
Postpaid carrier	17%
Samsung hardware	49%
Prepaid carrier	4%

(3% other)

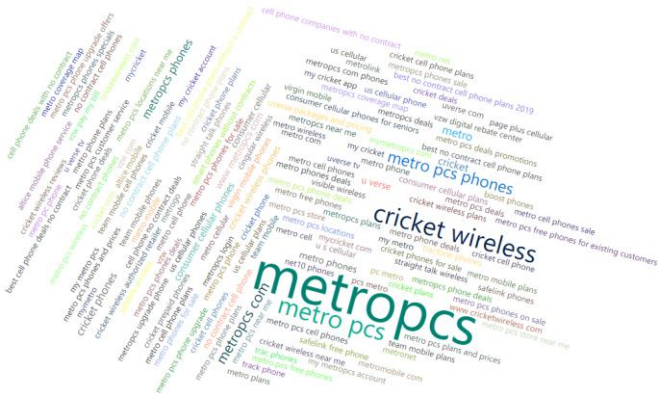
Source: Microsoft Advertising Internal Data; July 2019- December 2019

Microsoft

Consumers search half the time on a prepaid carrier query bu with significant interest in phones. Over 30% of queries are for non-brand and brand phones searches.

Path starts

Prepaid Carrier



Middle queries

Non-brand	16%
Apple hardware	17%
Postpaid carrier	19%
Samsung hardware	7.5%
Prepaid carrier	36.5%

(4% other hardware)

Path ends

Postpaid carrier	25%
Prepaid carrier	66%
Non-brand	3%
Samsung hardware	1%
Apple hardware	3%

(2% other)

Total query path

When a path starts with a Prepaid Carrier query

Non-brand	12%
Apple hardware	13%
Postpaid carrier	17%
Samsung hardware	5.5%
Prepaid carrier	50%

(2.5% other)

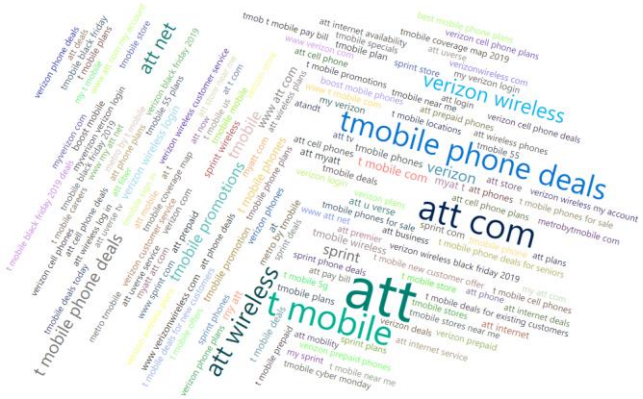
Source: Microsoft Advertising Internal Data; July 2019- December 2019

Microsoft

Postpaid carrier category makes up most queries overall. However, there is a strong tie with hardware. If a path starts with a carrier it will end with one 6.6 times out of 10.

Path starts

Postpaid carrier



Middle queries

Non-brand	12.5%
Apple hardware	18%
Postpaid carrier	56%
Samsung hardware	6.5%
Prepaid carrier	4%

(3% other hardware)

Path ends

Postpaid carrier	87%
Prepaid carrier	6.5%
Non-brand	2.5%
Samsung hardware	1%
Apple hardware	2.5%

(0.5% other)

Total query path

When a path starts with a Postpaid carrier query

Non-brand	10%
Apple hardware	14%
Postpaid carrier	65.5%
Samsung hardware	5%
Prepaid carrier	3.5%

(2% other)

Source: Microsoft Advertising Internal Data; July 2019- December 2019

Microsoft

Next steps

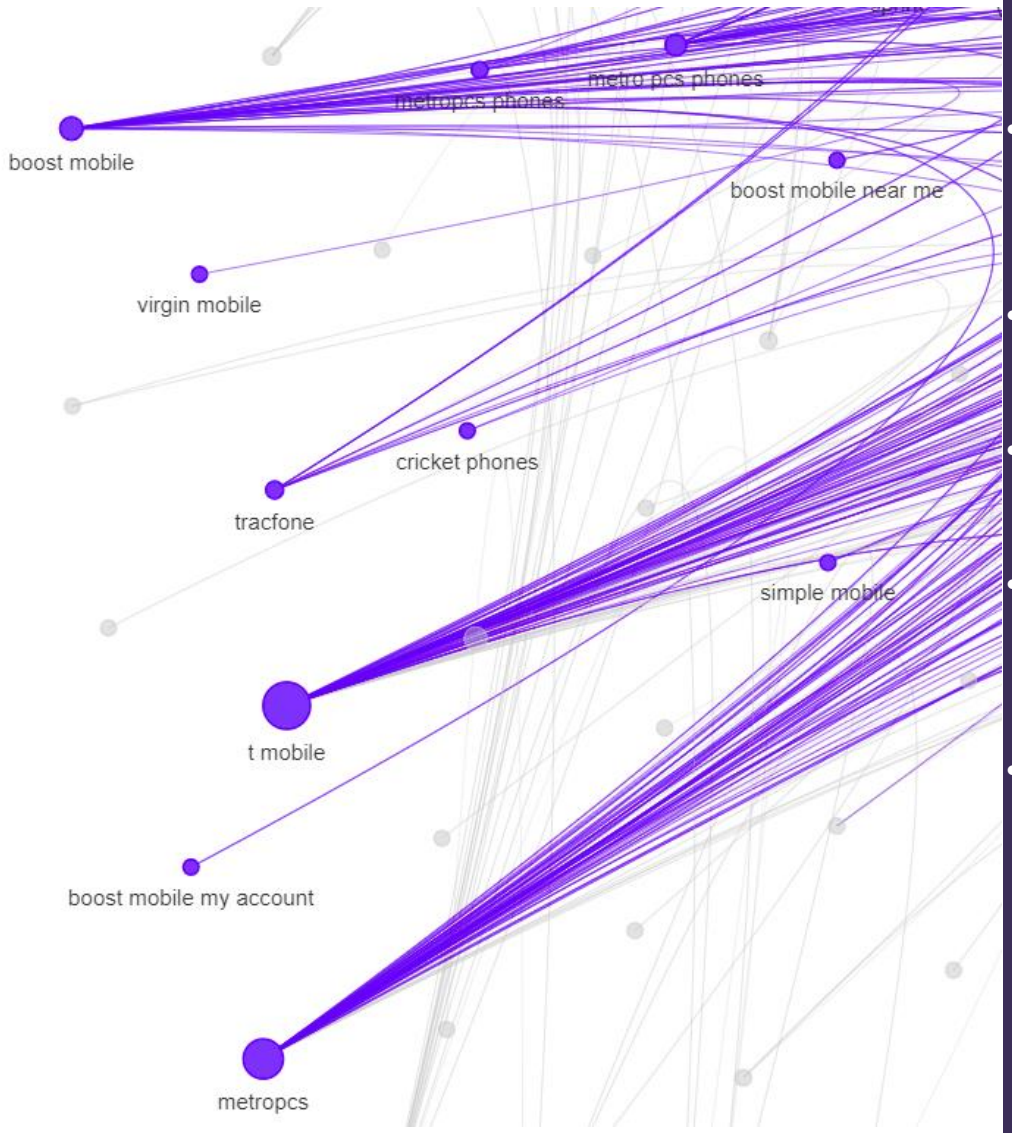
Query path

- Expand or fortify keyword portfolio to be inclusive of higher volume non-brand terms even more so on influential non-brand terms such as “best smartphones”
- Trend traffic by device does not change much in terms of how the consumer searches. Make sure you are visible on all devices for all keywords
- Showing up for your brands queries are more important than ever before
- During the peak impact of COVID-19 we saw the average query path length shorten to 5 queries. During the holiday and phone launch season of 2019 the average query path length was 25 queries long. Be prepared for either scenario of shorter or longer paths with high keyword coverage and aggressive bids. Shorter paths gives you shorter opportunities to win the last click. Longer paths give you the opportunity to influence the last click.
- Request the top queries in these categories to have expanded coverage in your portfolio

What will happen to query path trends once T-Mobile sunsets Sprint?

Microsoft

The T-Mobile community of queries is strongly tied to prepaid carriers



T-Mobile will sunset the Sprint brand this summer

- Unique to T-Mobile, many consumer queries before and after a T-Mobile are related to other prepaid carriers
- 63% of Sprint subscribers are postpaid while 15% of Sprint subscribers are in prepaid plans
- Churn rate for Sprint prepaid subscribers is nearly 4X greater than postpaid subscribers
- During March, when the COVID-19 pandemic became reality, there was an increase in queries categorized as prepaid and non-brand
- The potential for non-brand and prepaid queries increases if we see a second wave of COVID-19 in the US

Microsoft

Source: Microsoft Advertising Internal Data: July-Dec 2019. Sprint data source: Sprint via Statista March 2020

If the post COVID-19 trend continues, the expectation for query paths related to carriers should show an increase of queries in the non-brand and postpaid carrier categories to fill the Sprint void

Audience insights

Microsoft

Target Overlapping Audiences For More Volume

Consumers In-Market For Your Product...

339.97K

users who are In-Market for

/Consumer Electronics/Mobile Phones

...Are Also In-Market For Others

32.14%	/Computers & Peripherals
29.28%	/Home & Garden
24.01%	/Telecom/Mobile Phone Service Providers
20.75%	/Apparel & Accessories
19.15%	/Travel

Microsoft

Target Overlapping Audiences For More Volume

Consumers In-Market For Your Product...

4.08M

users who are In-Market for

/Telecom/Mobile Phone Service Providers

...Are Also In-Market For Others

28.41%	/Hobbies & Leisure/Toys & Games
27.39%	/Apparel & Accessories/Women's Apparel
26.86%	/Autos & Vehicles/Auto Parts & Accessories/Wheels & Tires
25.08%	/Financial Services
24.90%	/Apparel & Accessories/Activewear

Microsoft

Target Overlapping Audiences For More Volume

Consumers In-Market For Your Product...

694.28K

users who are In-Market for

/Computers & Peripherals/Computers/Tablets & Ultraportable Devices

...Are Also In-Market For Others

74.42%	/Computers & Peripherals
33.12%	/Home & Garden/Home & Garden Services/Yard Garden & Patio
24.73%	/Home & Garden/Home Decor
24.20%	/Apparel & Accessories/Shoes
23.78%	/Home & Garden

Microsoft

Target Overlapping Audiences For More Volume

Consumers In-Market For Your Product...

1.93M

users who are In-Market for

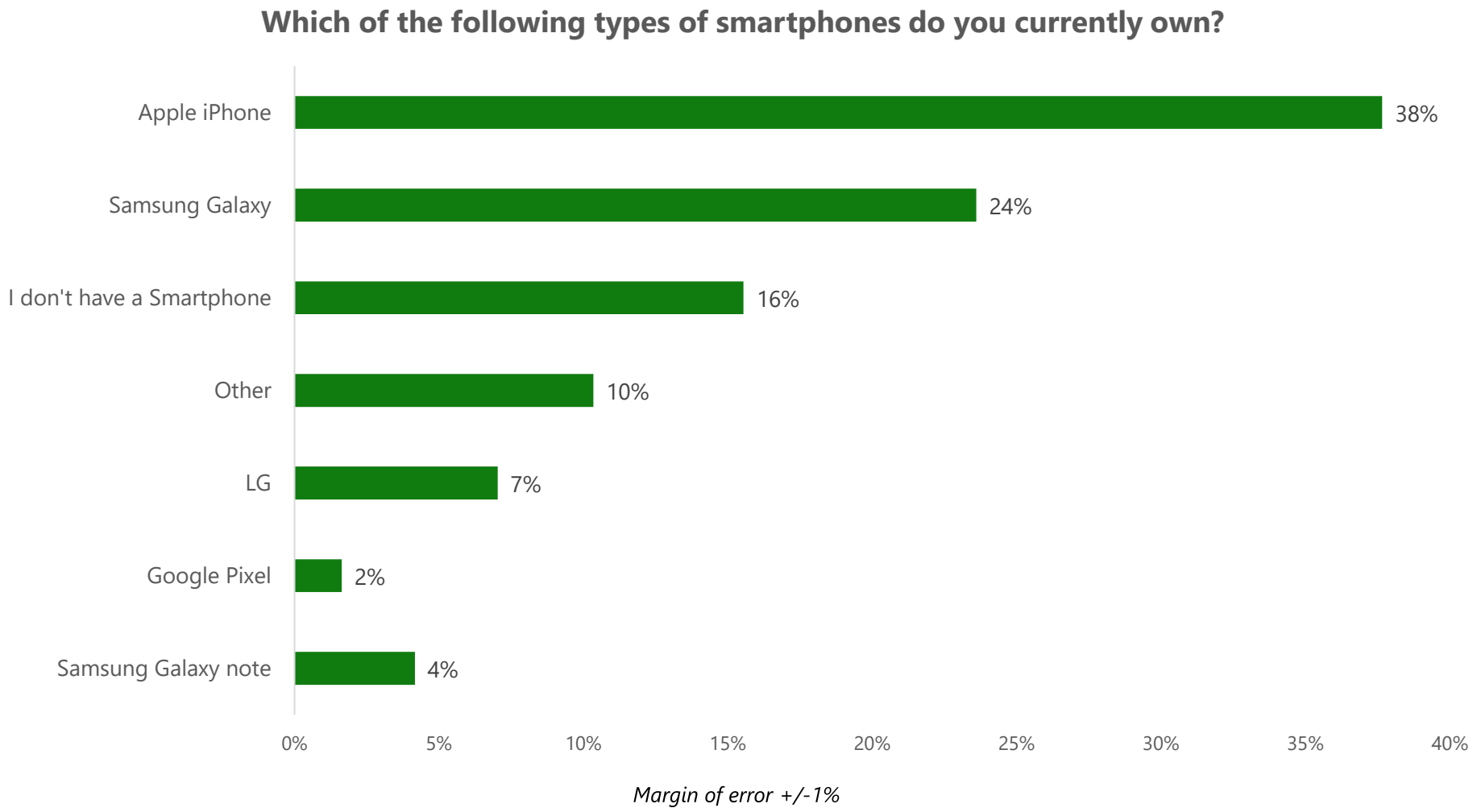
/Computers & Peripherals/Computers/Laptops & Notebooks

...Are Also In-Market For Others

45.70%	/Home & Garden
40.76%	/Apparel & Accessories/Clothing
36.63%	/Sports & Fitness
36.58%	/Travel
34.16%	/Arts & Entertainment/Movies & Films

Microsoft

The majority of Microsoft Network users are iPhone users



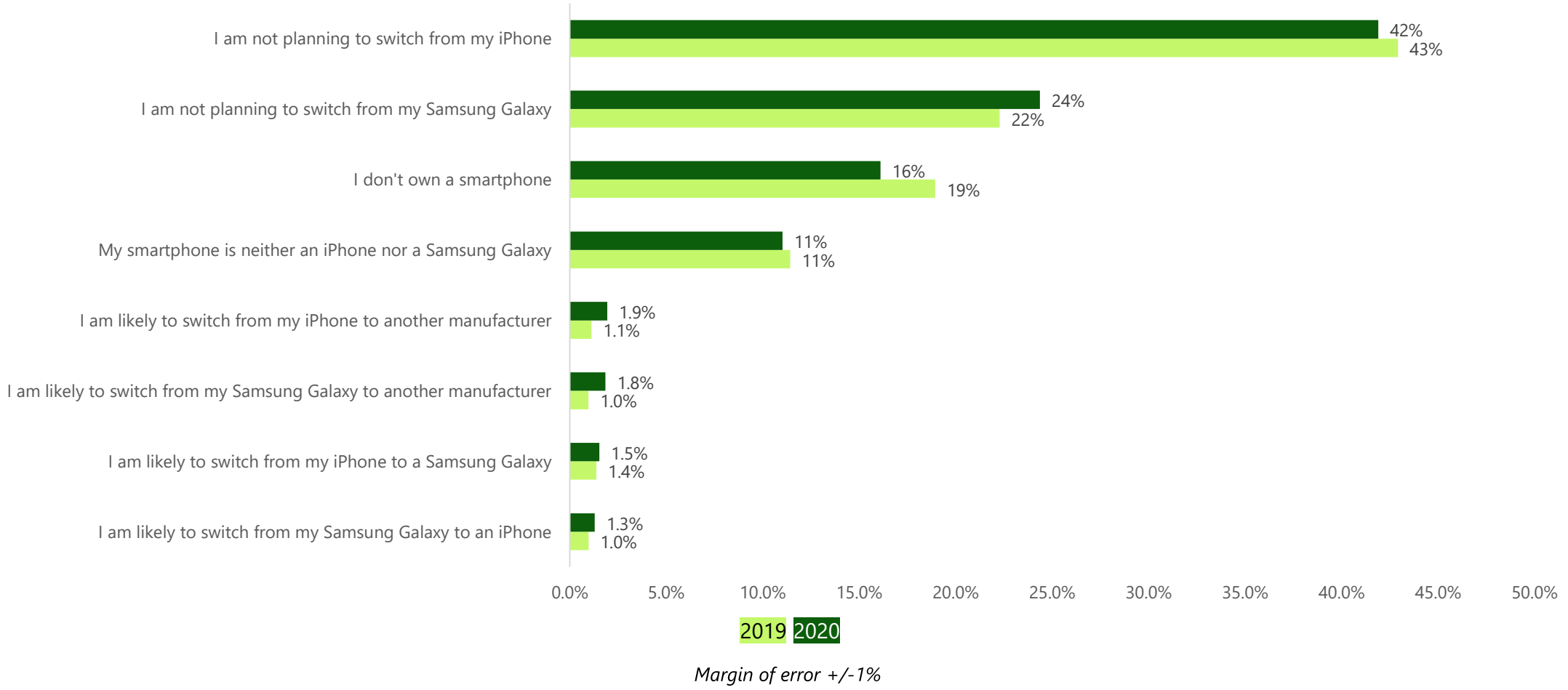
Source: MSN Data from market research firm, CivicScience April, 2019 – July 12, 2020

Microsoft

Overall the majority of Microsoft Network users are loyal iPhone users

Though low in number, more iPhone users are willing to switch to other manufacturers than compared to Samsung users

How likely are you to switch from your current smartphone to another in the next 90 days?

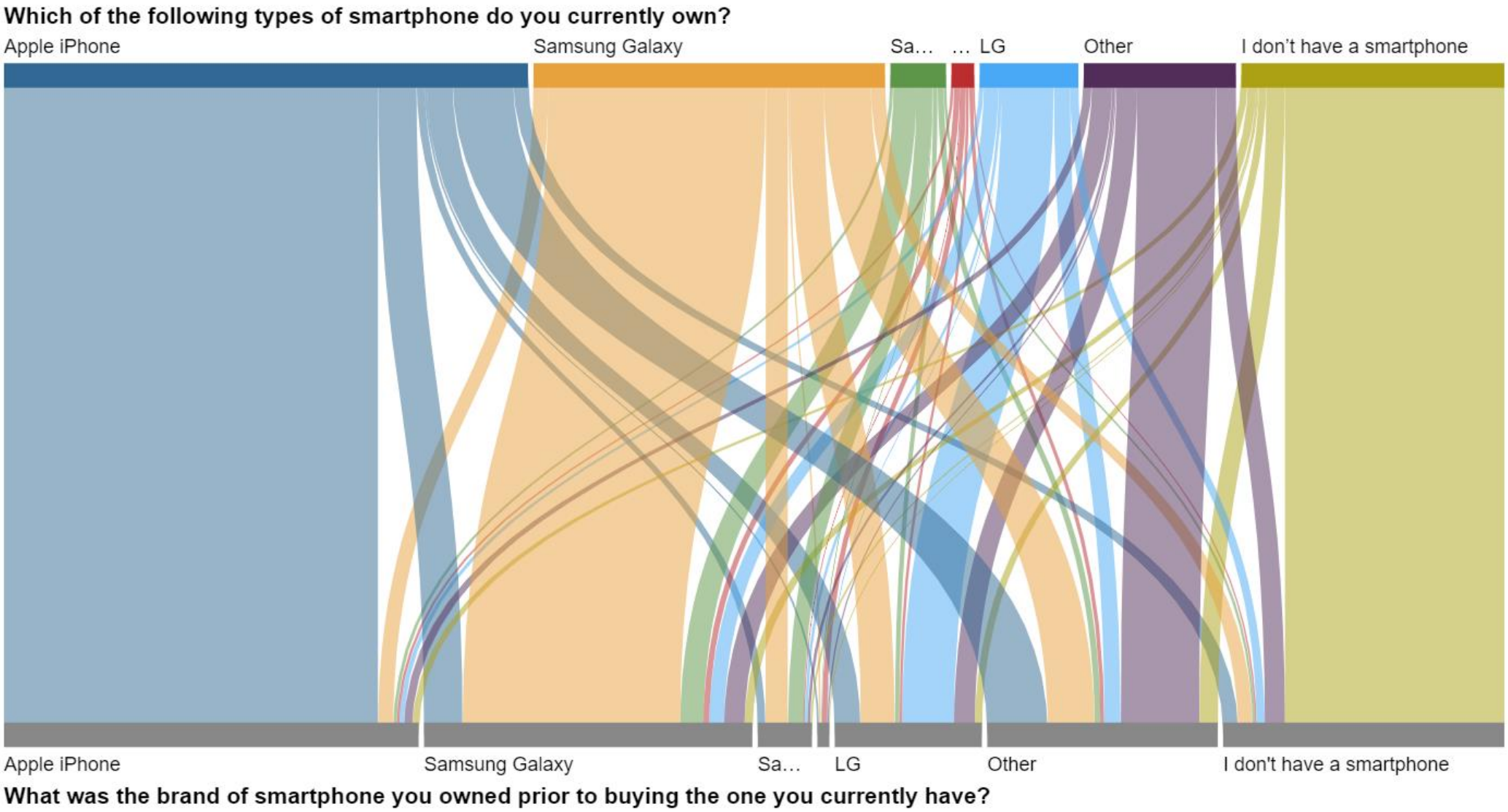


Margin of error +/-1%

Source: MSN Data from market research firm, CivicScience 2019 – July 12, 2020

Microsoft

The majority of Microsoft Network users are loyal iPhone users



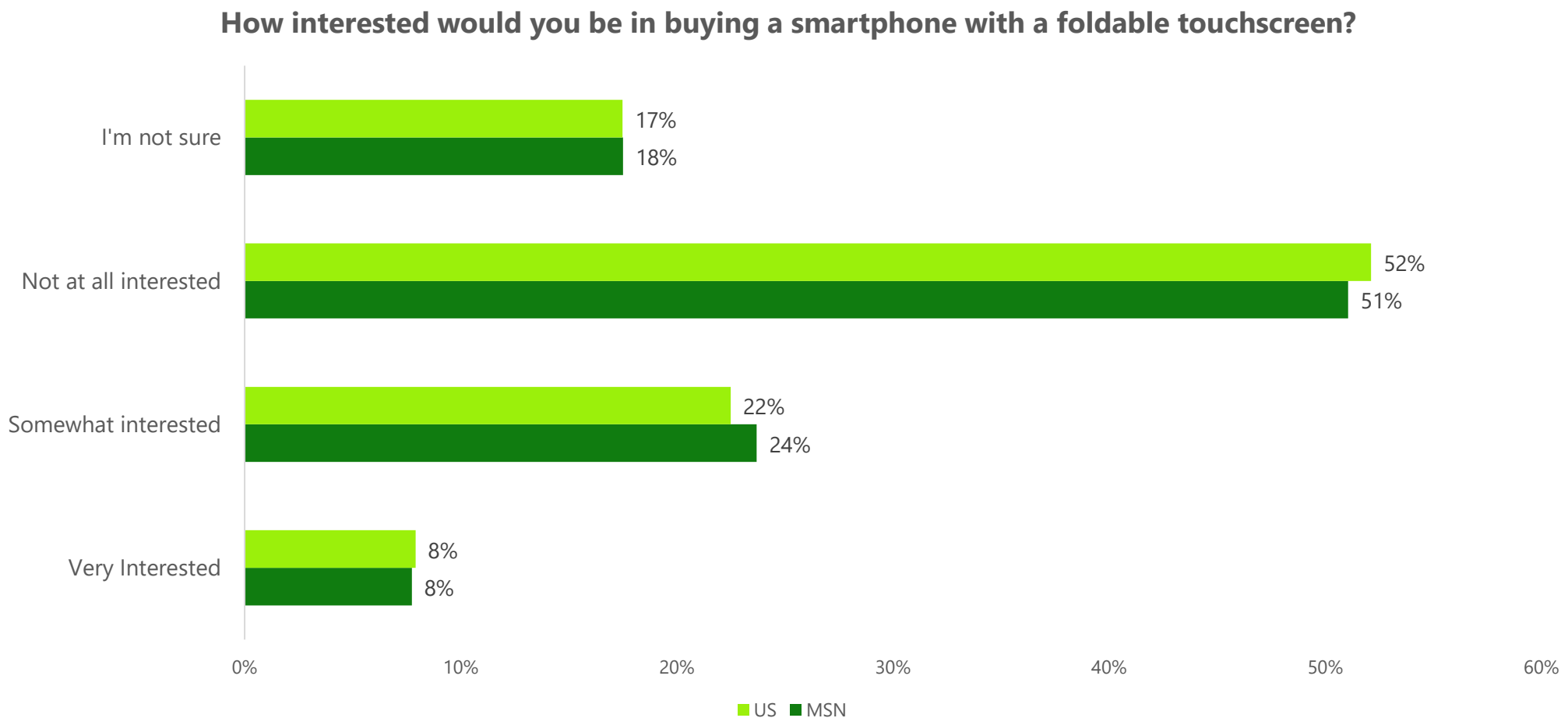
Currently Have	Previously Had
71% iPhone	iPhone
7% iPhone	Galaxy
<1% iPhone	Pixel
5% iPhone	LG
12% iPhone	Other
62% Galaxy	Galaxy
4% Galaxy	iPhone
<1% Galaxy	Pixel
10% Galaxy	LG
13% Galaxy	Other
23% Pixel	Pixel
12% Pixel	iPhone
26% Pixel	Galaxy
12% Pixel	LG
17% Pixel	Other
53% LG	LG
5% LG	iPhone
15% LG	Galaxy
1% LG	Pixel
16%LG	Other

Source: MSN Data from market research firm, CivicScience Jan – July 12, 2020

Microsoft

Microsoft Network users are slightly more likely to buy a foldable phone

32% of Microsoft Network users are interested in purchasing a foldable compared to 30% of the U.S. population



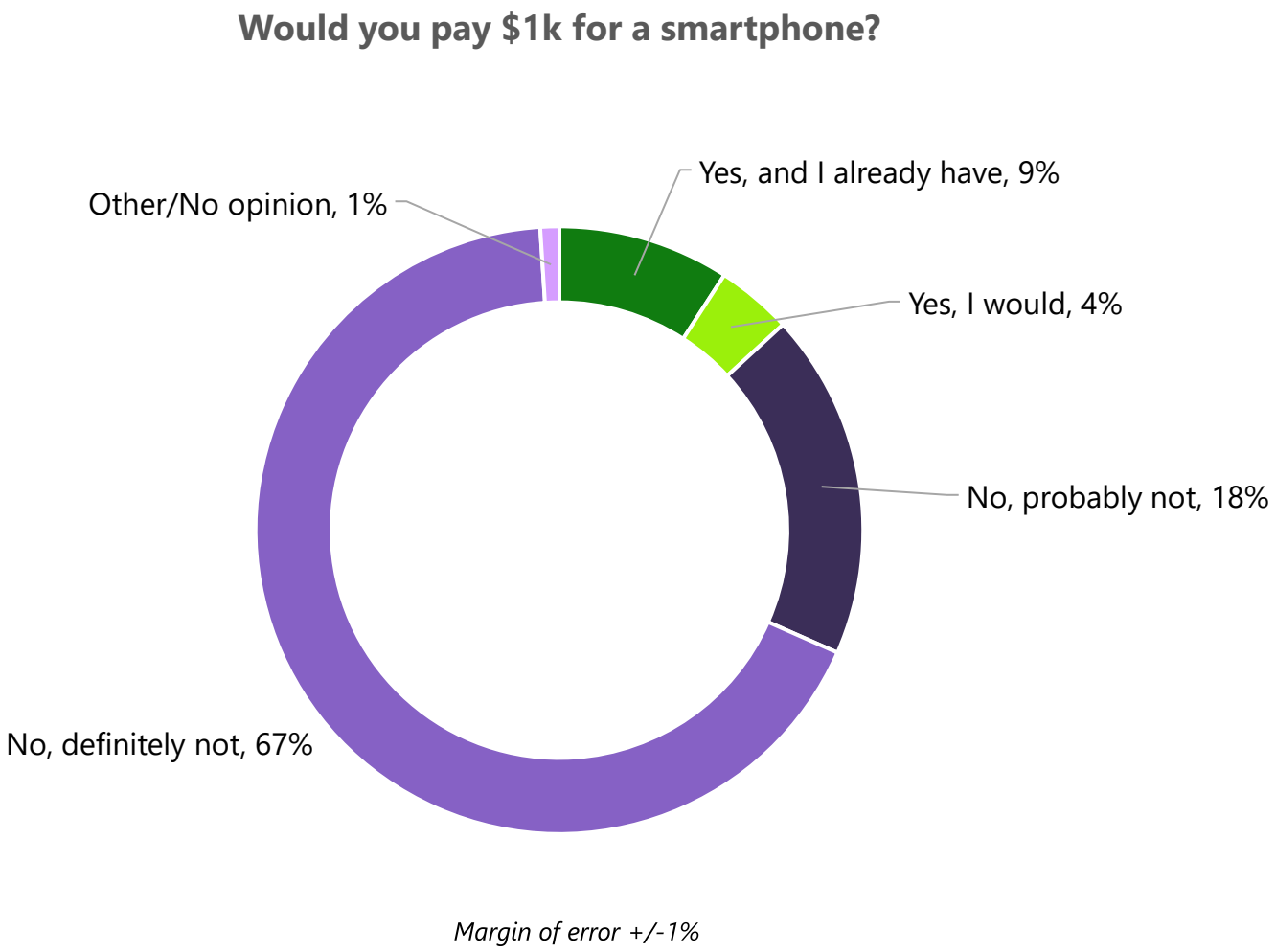
Margin of error +/-2%

Source: MSN Data from market research firm, CivicScience February, 2020

Microsoft

The majority of Microsoft Network users are price conscious phone buyers

85% of Microsoft Network users would not purchase a smartphone for $1,000



Source: MSN Data from market research firm, CivicScience February, 2020

Microsoft

Next steps

Audience

- Retarget users who have previously purchased an iPhone or Samsung phone
- Allocate some budget for those who are also looking to switch phone brands and cross shop (conquest)
- Price may be an even bigger selling point for phones this year due to the pandemic, so promotions around key times is essential to growing sales
- Expand your audience targeting to include overlapping interests that may be outside of the scope of technology and devices

Microsoft Audience Network

Microsoft

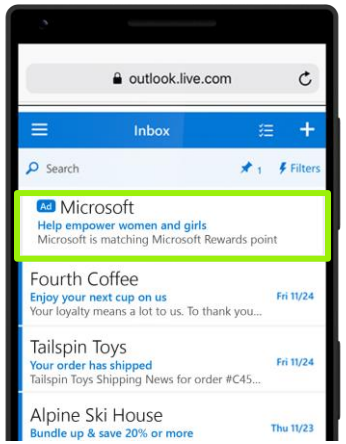
Meet the Microsoft Audience Network

Premium native placements
Strict publisher standards and AI-powered curation

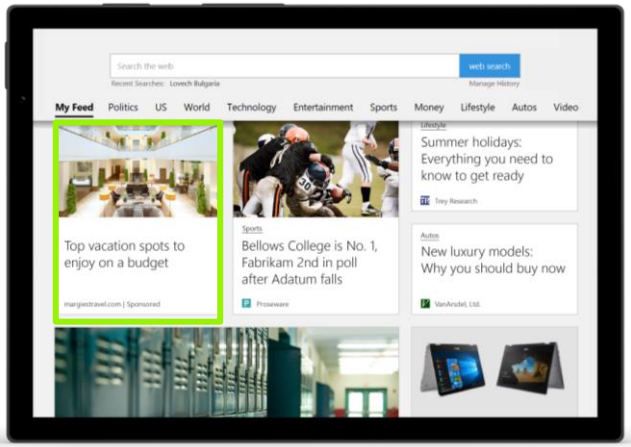
Brand-safe experiences
Transparency and controls for advertisers

Highly contextual ad placements
Based on Microsoft first-party data

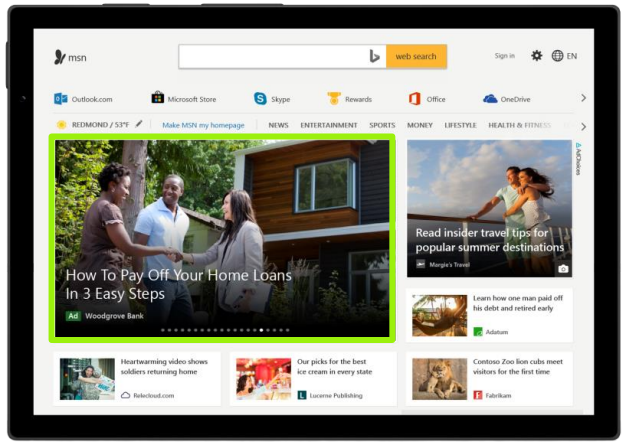
Strong industry ad performance
Driven by leading-edge AI technology



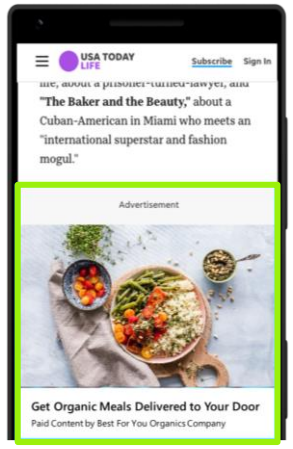
Outlook.com



Microsoft Edge



MSN



Select publisher partners

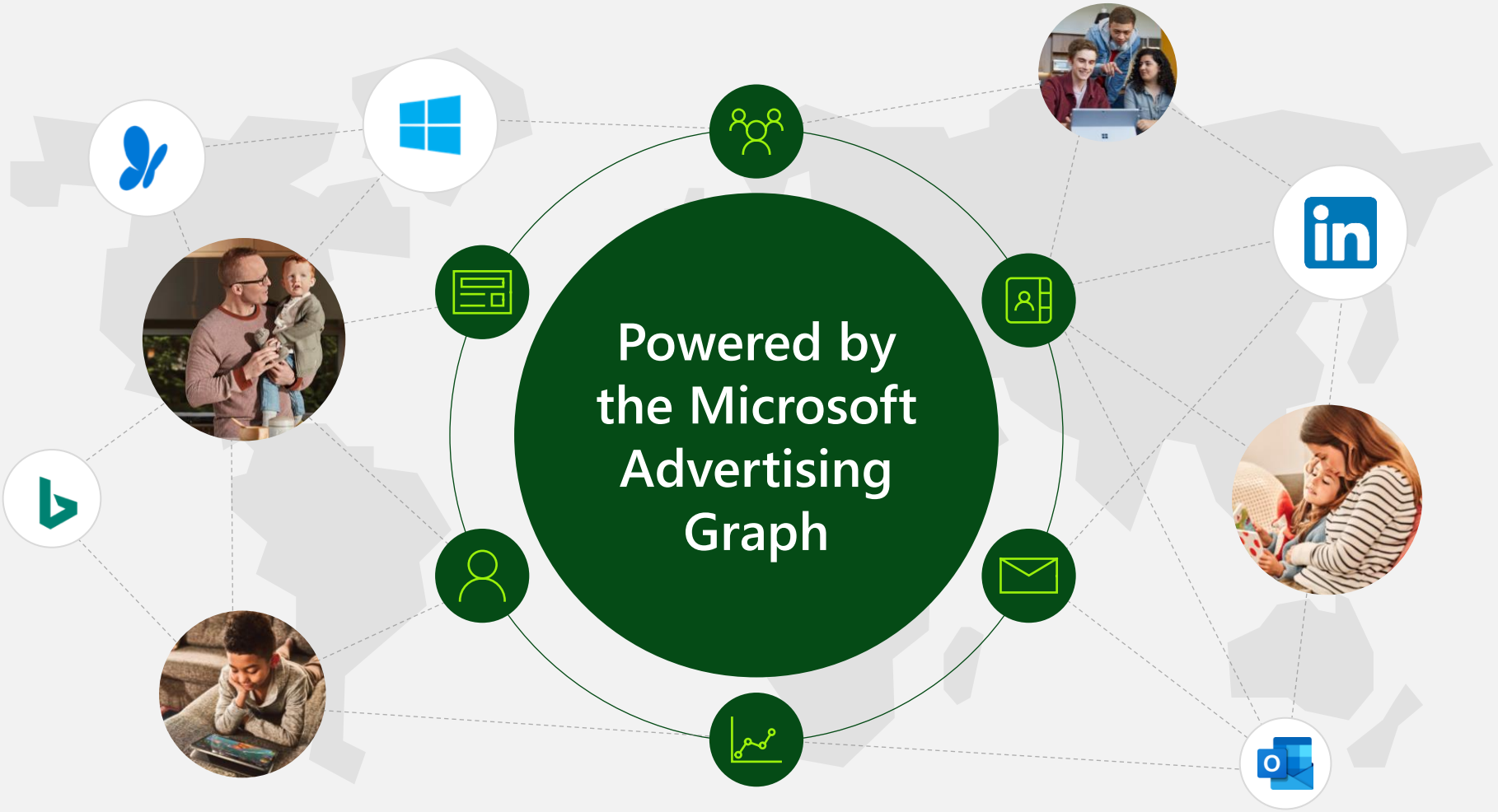
Drive meaningful connections with your audience

Using Microsoft first-party intent data

1B
devices running Windows 10[1]

498M
monthly unique visitors[2]

11B
global monthly searches[2]



675M
global professionals[3]

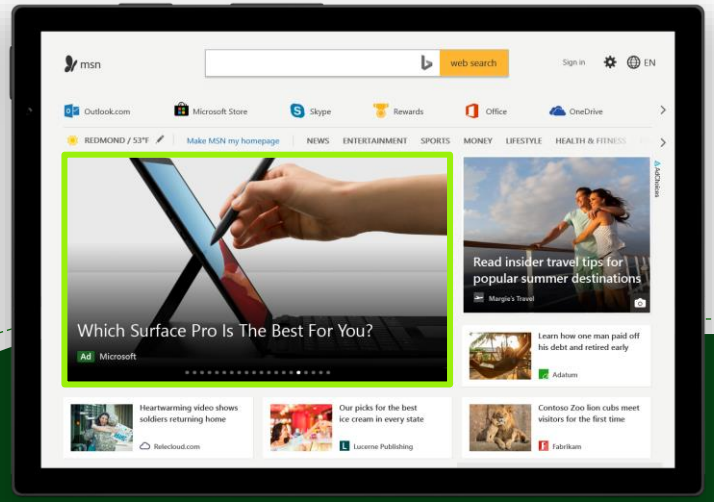
200M
monthly unique visitors[2]

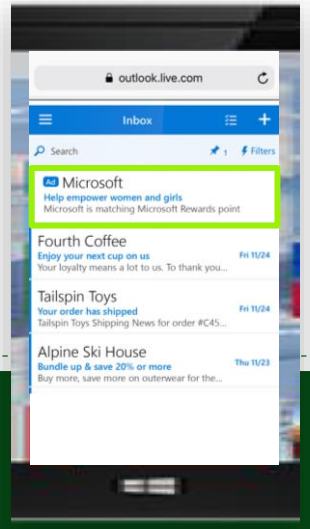
64M
monthly unique users[2]

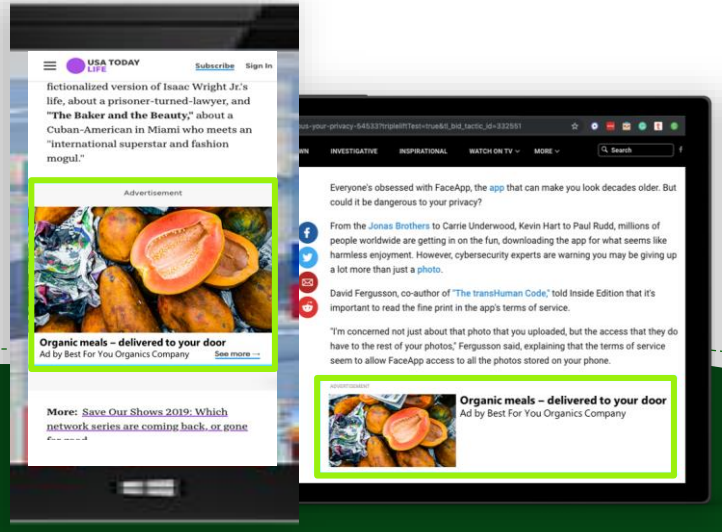
1. Microsoft internal data, June 2020, (https://news.microsoft.com/bythenumbers/en/windowsdevices). 2. comScore, August 2018. 3. Omnicore, May 2019. 4. Microsoft internal data.

Achieve your goals with high-performing ads

Our Audience Ads click-through rates (CTRs) outperform other native platforms delivering ads on the same properties







MSN INFOPANE

2x CTR[1]

OUTLOOK.COM

1.2x CTR[2]

PUBLISHER PARTNERS

3.5x CTR[3]

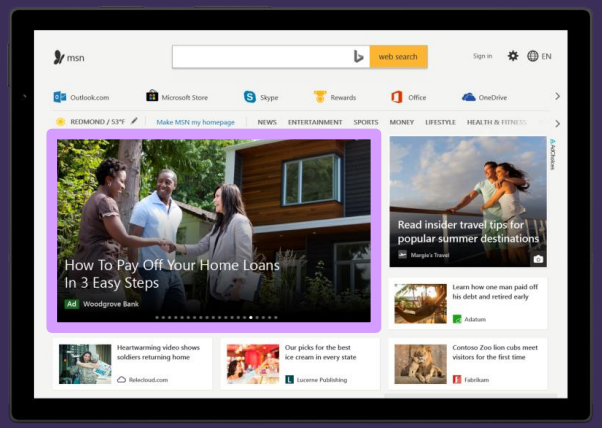
1. Microsoft internal data, November 2019-January 2020. 2. Microsoft internal data, July 2019-October 2019. 3. Publisher partner data and Microsoft internal data, November 2019-January 2020. Numbers are rounded to the nearest percentage point. CTR is click-through rate.

Microsoft

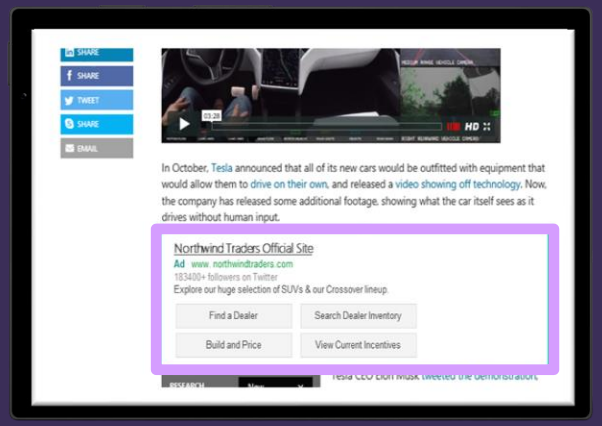
Microsoft Audience Ads

Adding images and copy to your search campaigns is one of the most important actions you can take to make sure your ads serve on the Microsoft Audience Network

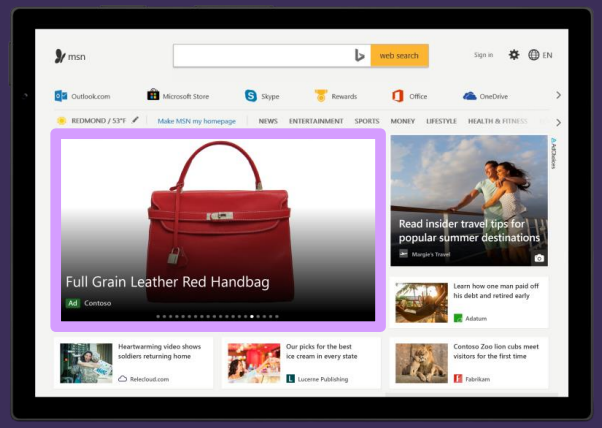
IMAGE ADS



TEXT ADS



PRODUCT ADS



Microsoft

Microsoft Audience Network exposure drives lift on search for Tech & Telco advertisers

Microsoft Search Network + Microsoft Audience Network

+27%

lift in impressions post-exposure[1]

We reach over
half a billion
people worldwide

+47%

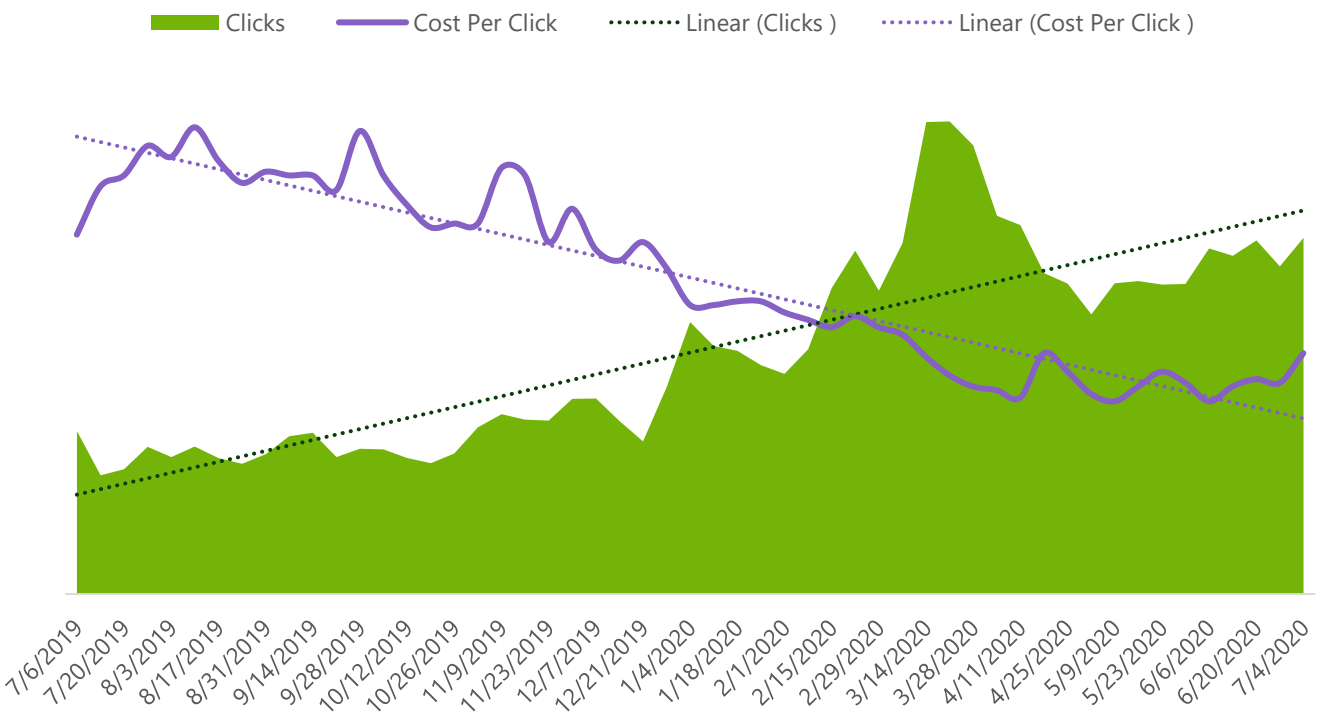
lift in clicks post-exposure[1]

1. Jan 2019 – Mar 2020; Exposed vs. Control lifts for both clicks and searches per user; Searches based on ad flag for selected advertiser and other advertisers in that vertical. On average, those clients saw the reported lift in Search Impressions per user and reported lift Search Clicks per user for exposed users compared to those who were not exposed to an ad on the Microsoft Audience Network. This is based on a **sample of our pilot advertisers** and is not a marketplace lift. The experienced lift is on a **per-user basis for the exposed users**, not the advertisers' full search program. Technology & Telecommunications Advertisers

Microsoft

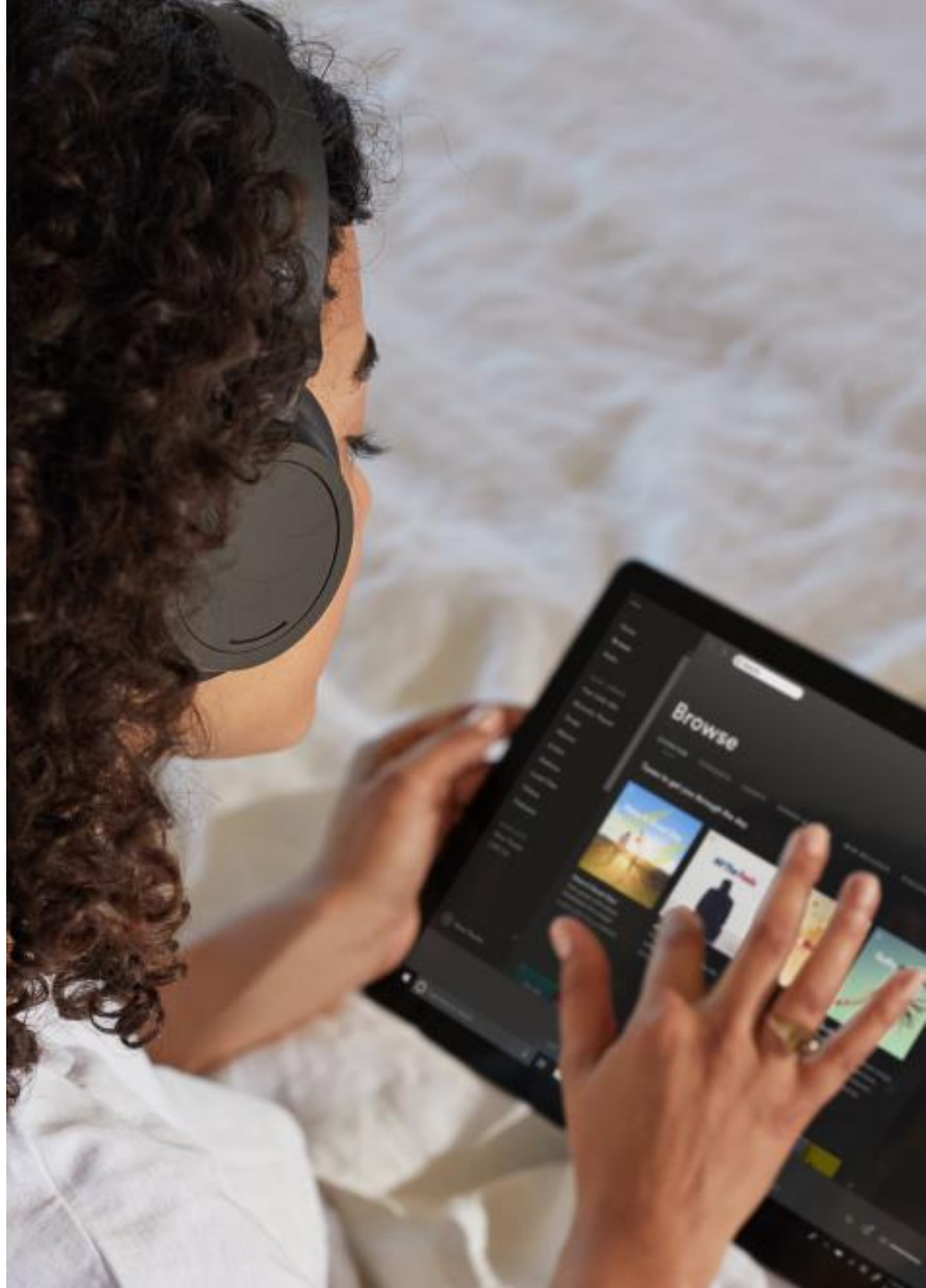
Audience Network click volume continues to trend upward for Tech while CPC improves

All-up Microsoft Audience Network Tech & Telco clicks & CPC trends



Click volume for Technology & Telecommunications advertisers on the Microsoft Audience Network has seen significant growth in 2020

Ensure the Audience Network is a part of your Microsoft Advertising plan for 2020 Device Launches



Microsoft Advertising; 2020
1. Excludes non-Back-to-School Retail categories

Activate device launch trends across different campaign types and strategies

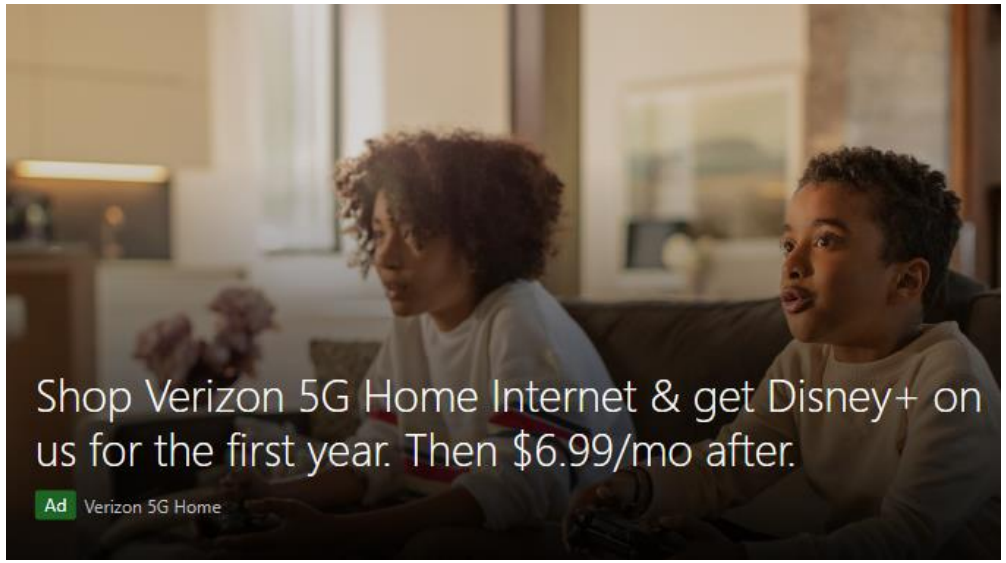
Activate an important COVID-19 takeaway by featuring differentiation and messaging around cost, speed, and bandwidth

Respond to COVID-19 search trends by reaching users with messaging and promotions in which they're interested in during increased stay-at-home periods and demand for high speed internet

Microsoft

FPO = For Presentation Only, sample advertisement may not reflect an active ad or customer, and is to be used for visualization purposes only.

Activate device launch trends across different campaign types and strategies



Activate an important 5G takeaway by continuing your quest to educate, differentiate, and incentivize 5G plans

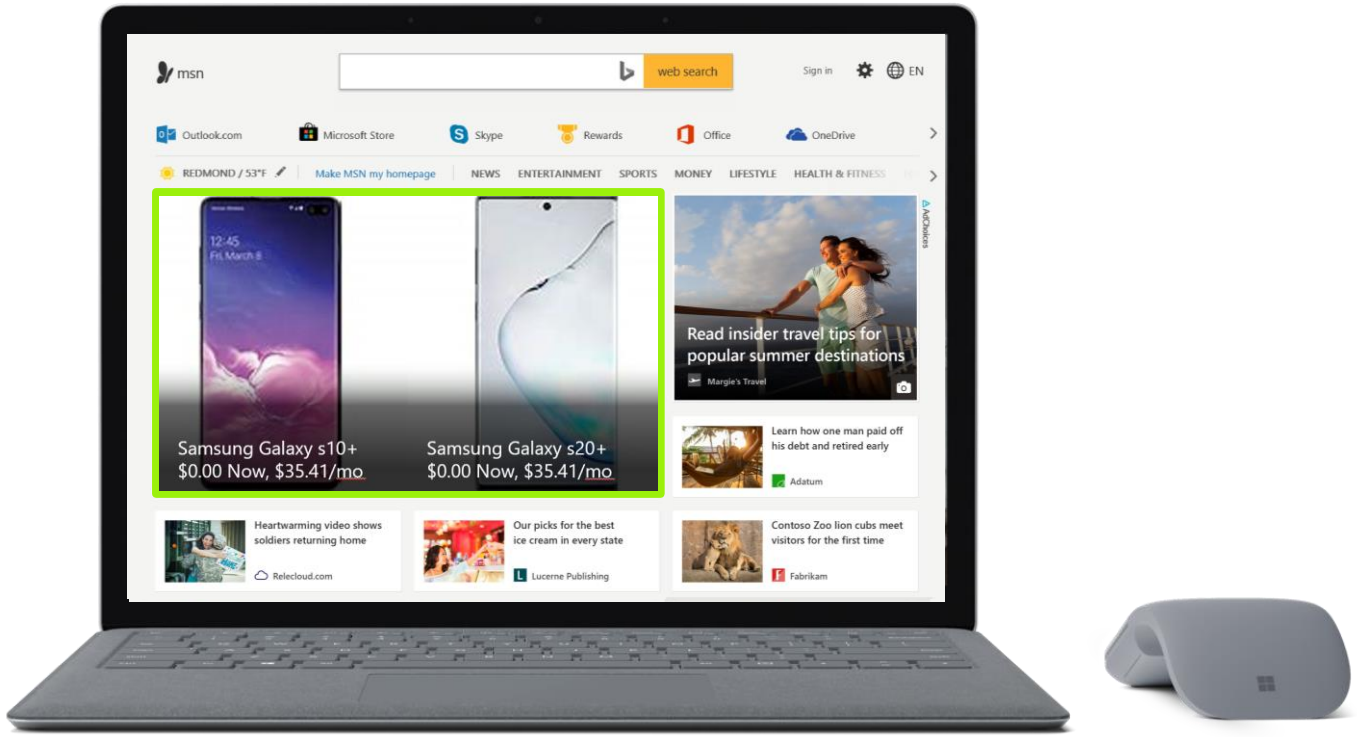
Respond to increased demand for high-speed internet and 5G products by promoting your high-speed 5G plans and devices to highly targeted audiences in a premium, visible environment

Microsoft

Expand your shopping reach through feed-based shopping native ads

Use your existing Shopping Campaigns feed from search

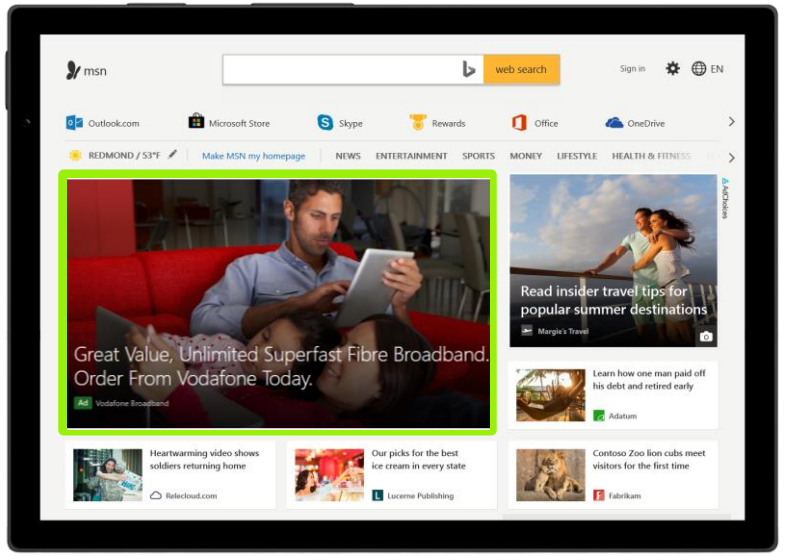
When combined with Microsoft AI intent signals, we'll match searchers with the items in your feed that they've shown interest in



Microsoft

Advertisers running Product Audiences[1] see a 19% higher lift in clicks compared to the average search lift

IMAGE ADS

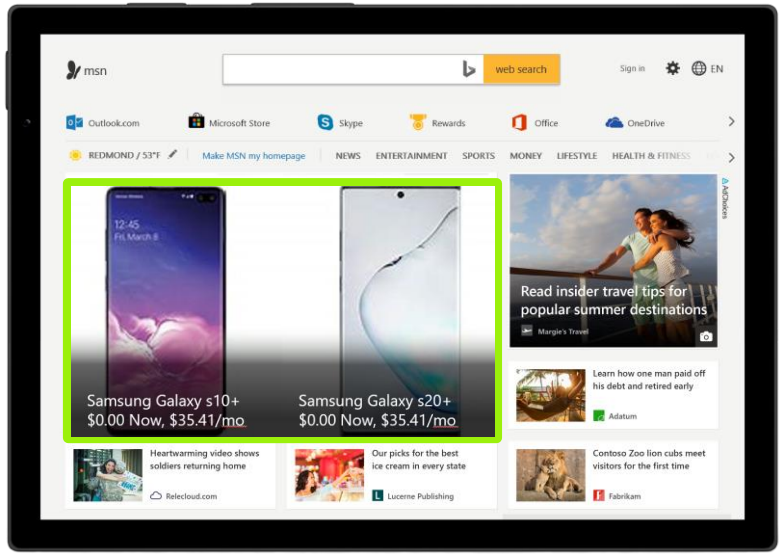


Tech & Telco Image Ads lift

Impression lift: 27%

Click lift: 47%

PRODUCT ADS



Product Ads lift:

Impression lift: 83%

Click lift: 95%

Microsoft internal data, user clusters collected Sept 2019, MSAN Exposure and Search performance tracked Oct-Dec 2019

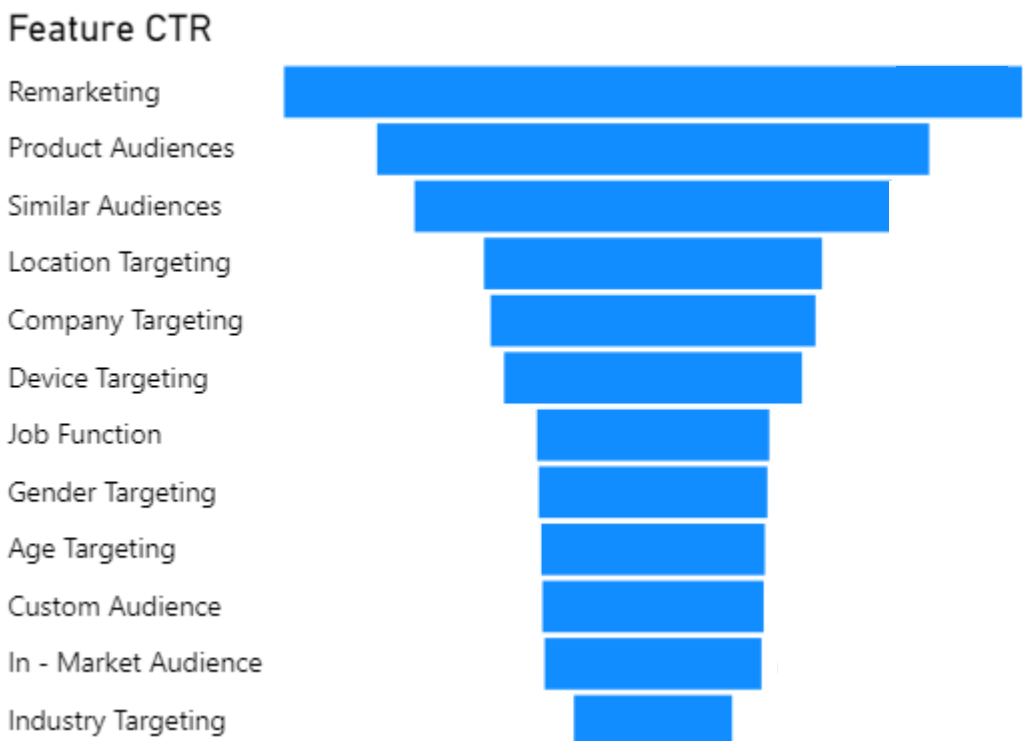
1. Based on advertisers with shopping feeds who are running Audience campaigns & Product Audiences; lift metrics are not exclusive to Product Audiences

Microsoft

Activate across targeting features to maximize reach and click volume

Apply bid modifiers to individual segments to maintain efficiency

Product Audiences, Device Targeting, and Location Targeting offer the lowest CPC for Technology & Telecommunications advertisers



Remarketing, Product Audiences, and Similar Audiences generate the highest CTR for Technology & Telecommunications advertisers

*Microsoft internal data, 1/1/2020 – 4/25/2020, Microsoft Audience Network, Tech & Telco L1, Technology & Telecommunication L2 Sub-Verticals

Microsoft

Next Steps Summary

COVID-19

- Prepare for this holiday season to be online-shopping heavy
- Ensure proper coverage for shopping campaigns
- Consider conquest terms during launch
- Communicate messaging around unlimited plans and bandwidth

Projections

Forecasts show positive momentum in search traffic through the end of 2020, meaning device launch traffic could beat that of previous years and advertisers should plan to meet this demand. Delayed launch dates would likely not impact volume, just prolong the spikes.

Searches for older phone models changed trajectory (started trending upward) post-COVID-19. This trend is predicted to continue through the end of the year, indicating that advertisers should maintain some focus on older models.

5G

- Expect Hardware and Software conversions to spike together throughout the year, but not necessarily during the holiday months
- Carriers need to continue their quest to educate, differentiate, and incentivize 5G plans through brand and non brand efforts
- Anticipate a big surge in 5G phones as Apple launches its first 5G device – the appetite is already there even without 5G iPhones now. Carriers need to leverage this launch to their advantage.

Query path

- Expand or fortify keyword portfolio to be inclusive of higher volume non-brand terms. Even more so on influential non-brand terms such as "best smartphones".
- Trend traffic by device does not change much in terms of how the consumer searches. Make sure you are visible on all devices for all keywords.
- Showing up for your brands queries is more important than ever before

Audience insights

- Take advantage of overlapping audiences to broaden your advertising reach
- Retarget users who have previously purchased an iPhone or Samsung phone
- Allocate some budget for those who are also looking to switch phone brands and cross shop (conquest)
- Price may be an even bigger selling point for phones this year due to the pandemic, so promotions around key times is essential to growing sales

Microsoft Audience Network

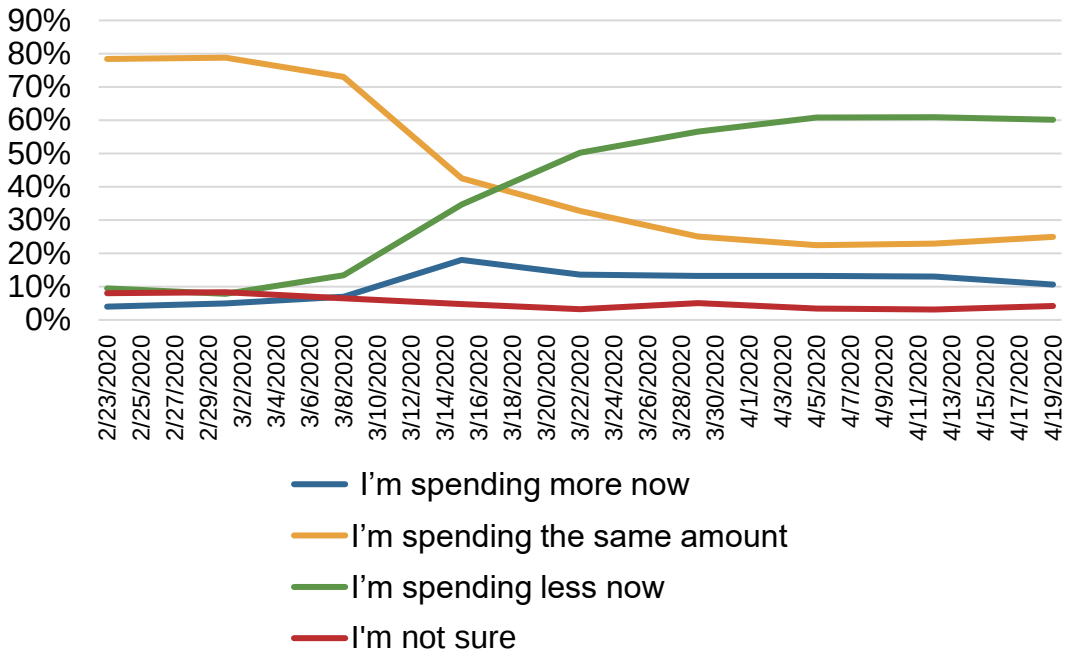
- Take advantage of a growing network to extend activations into the Microsoft Audience Network
- Promote messaging around cost, plans, and bandwidth as a response to COVID-19
- Reach users who are interested in 5G with your brand's unique value proposition and differentiation in the 5G space
- Target similar audiences in Microsoft Audience Network as Search, while also testing new segments

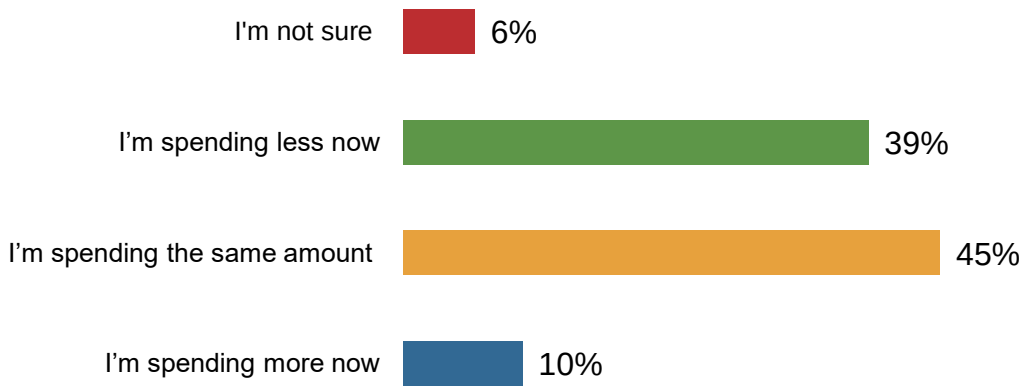
Appendix

Microsoft

Just under half of consumers are spending less during the pandemic

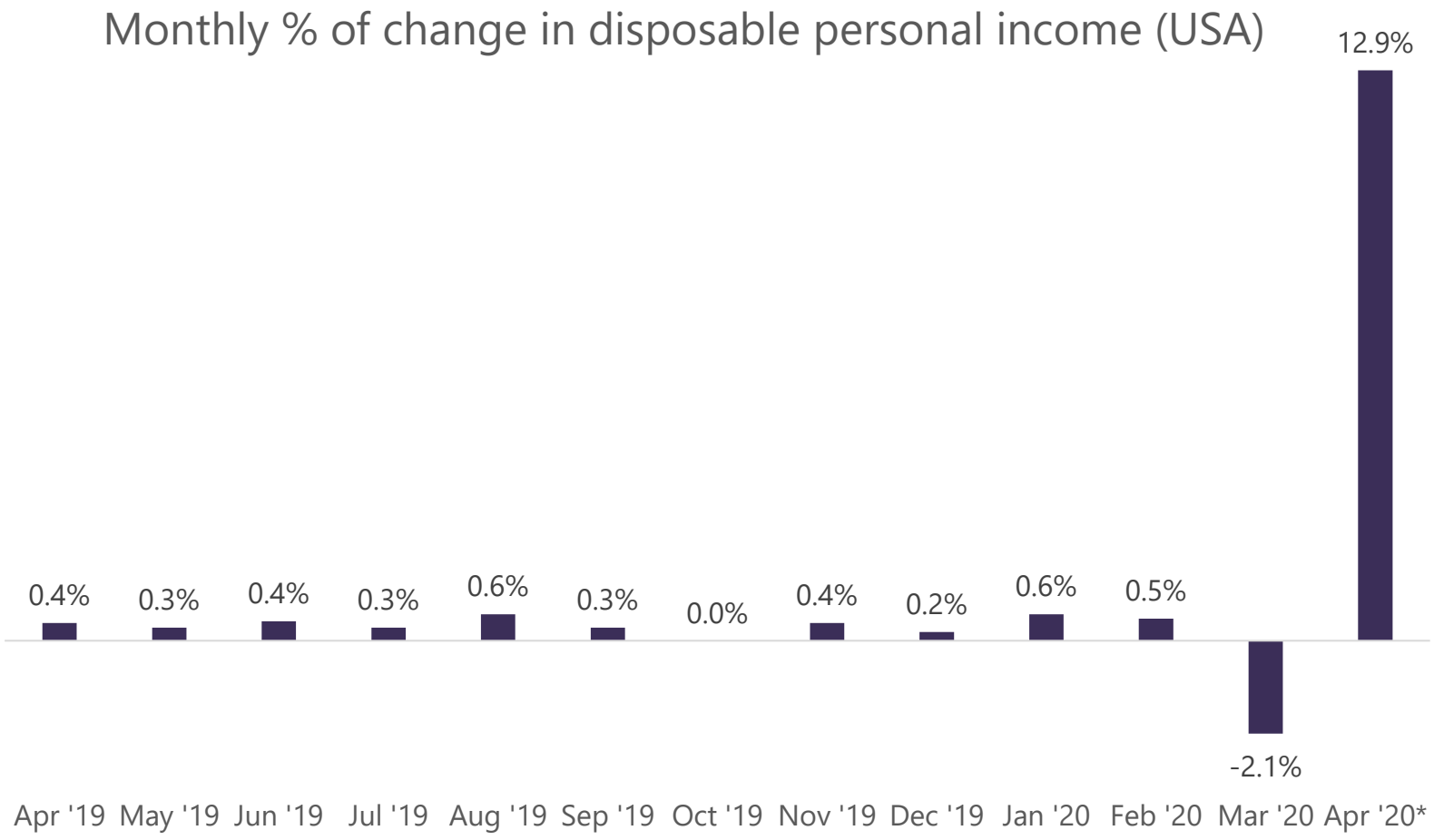
How has the COVID-19 outbreak affected your spending overall?





Source: Data from market research firm, CivicScience Feb-April 2020
https://civicscience.com/latest/ for more information

What are consumers doing with their disposable income during the pandemic?



Source: Statista 2020

What are people doing with this extra disposable money?

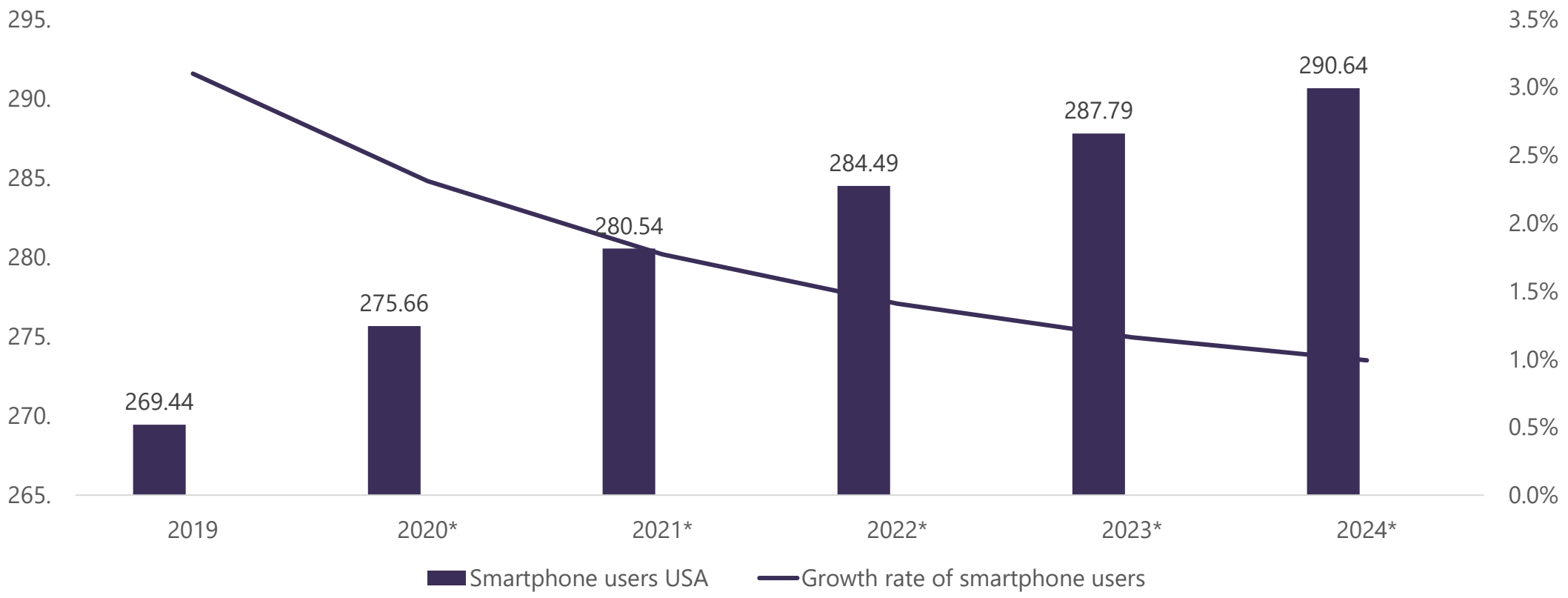
- Personal savings rate hit a historic level of 33% in April
- Personal spending decreased by 13.6%
- Consumers are crediting a combination of unknown circumstances in the near future along with a decrease in opportunities to go out and spend (with businesses closing up… "shopportunities" are limited)

- *www.cnbc.com*

Microsoft

Estimated growth of smartphone users in U.S. (in millions)

New user numbers are estimated to continually decline in the years ahead

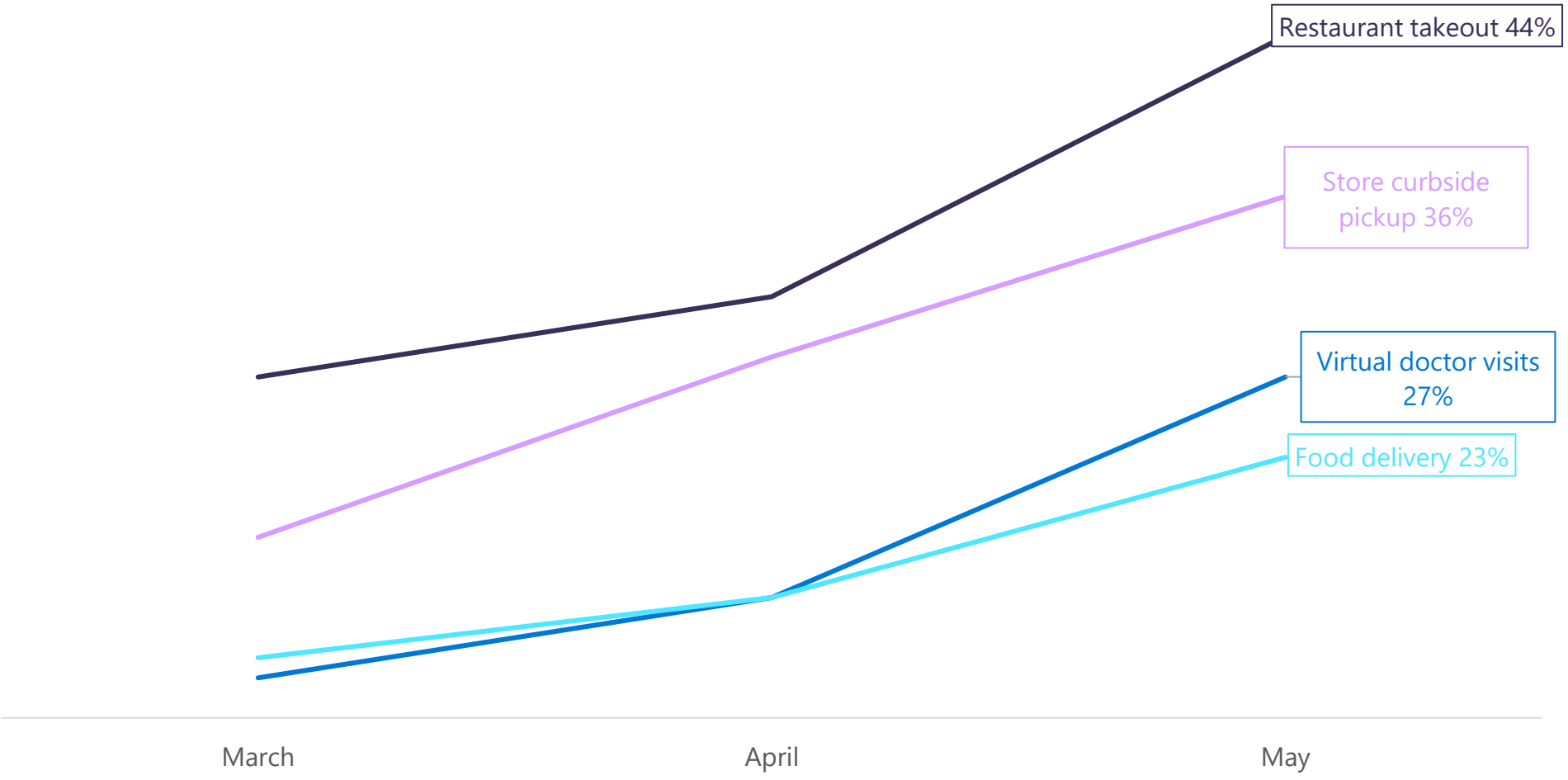


Source: Statista 2020

Microsoft

Where customers are starting to bounce back

U.S. customers are becoming more comfortable with low-contact commerce



Source: Statista May 2020

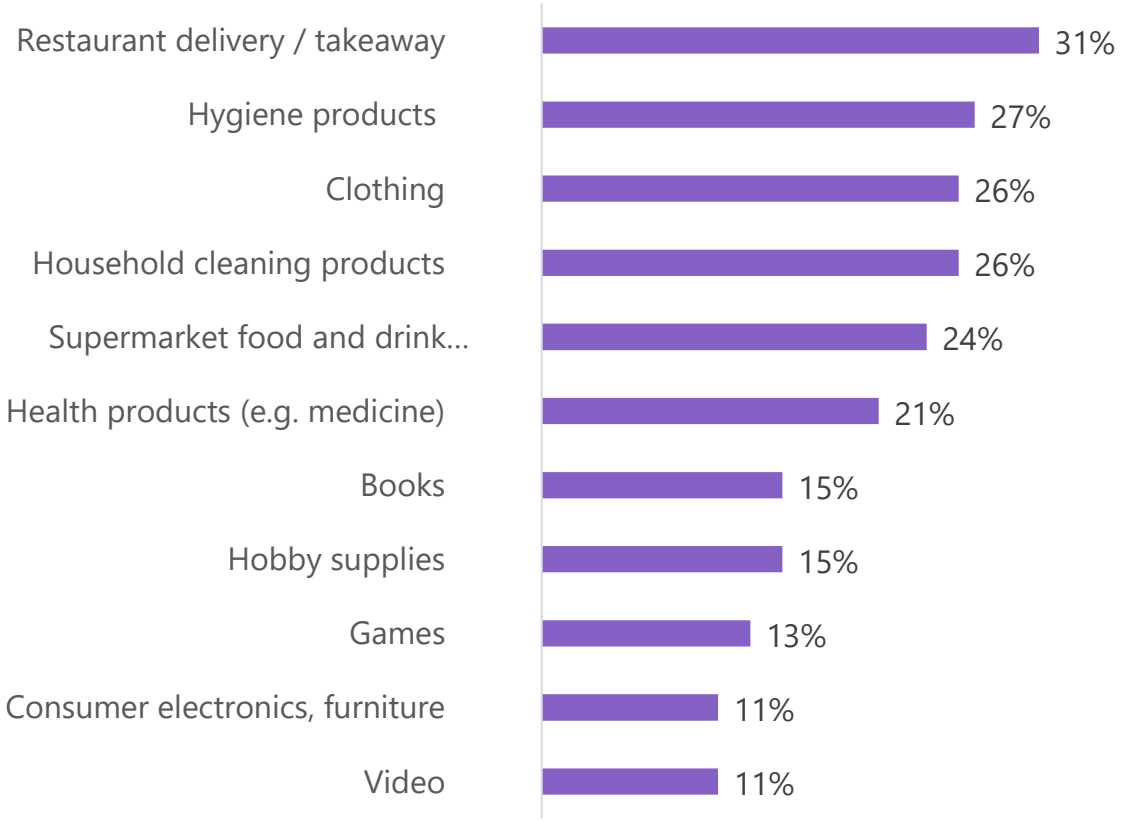
Who is doing this increase in shopping?

50% of adults between 18 – 44 said they are more comfortable getting takeout in May vs. April, compared to **43%** of those aged 45-64, and only **34%** of those over 65 years old

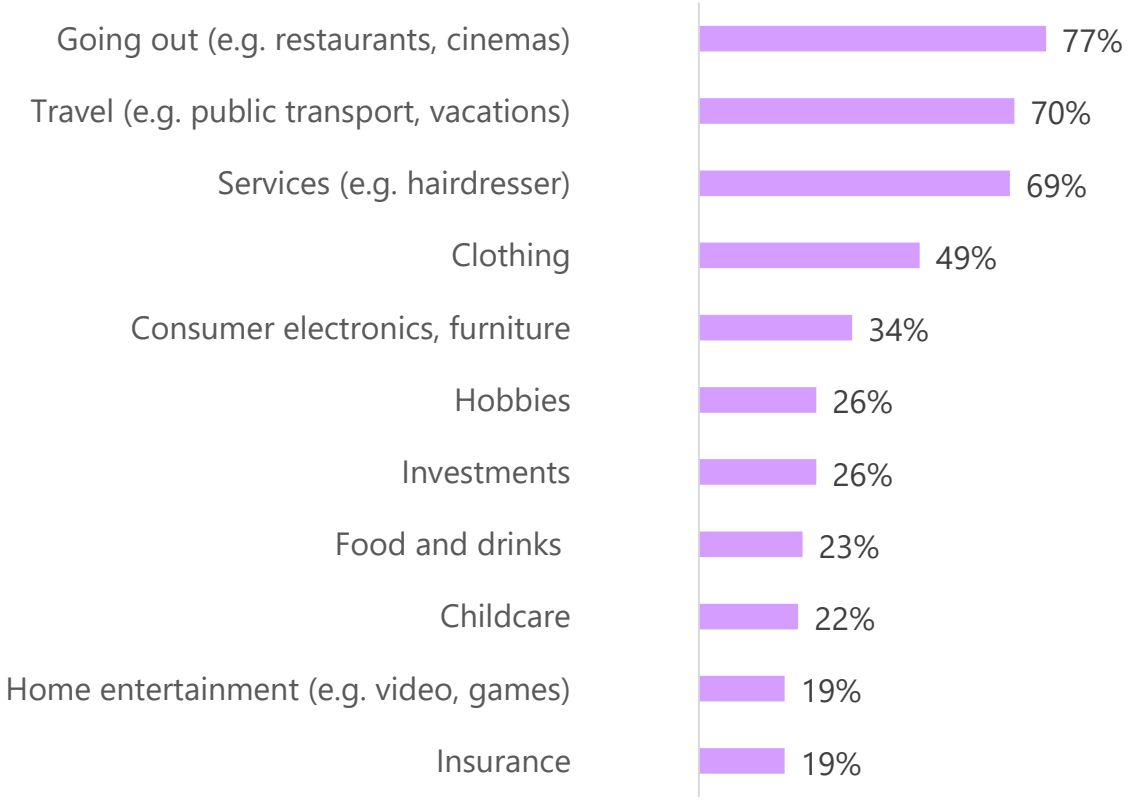
Microsoft

How COVID-19 has shifted how people shop in the U.S.

Items/services shoppers are acquiring online compared to in-store



Items shoppers say they are spending less on

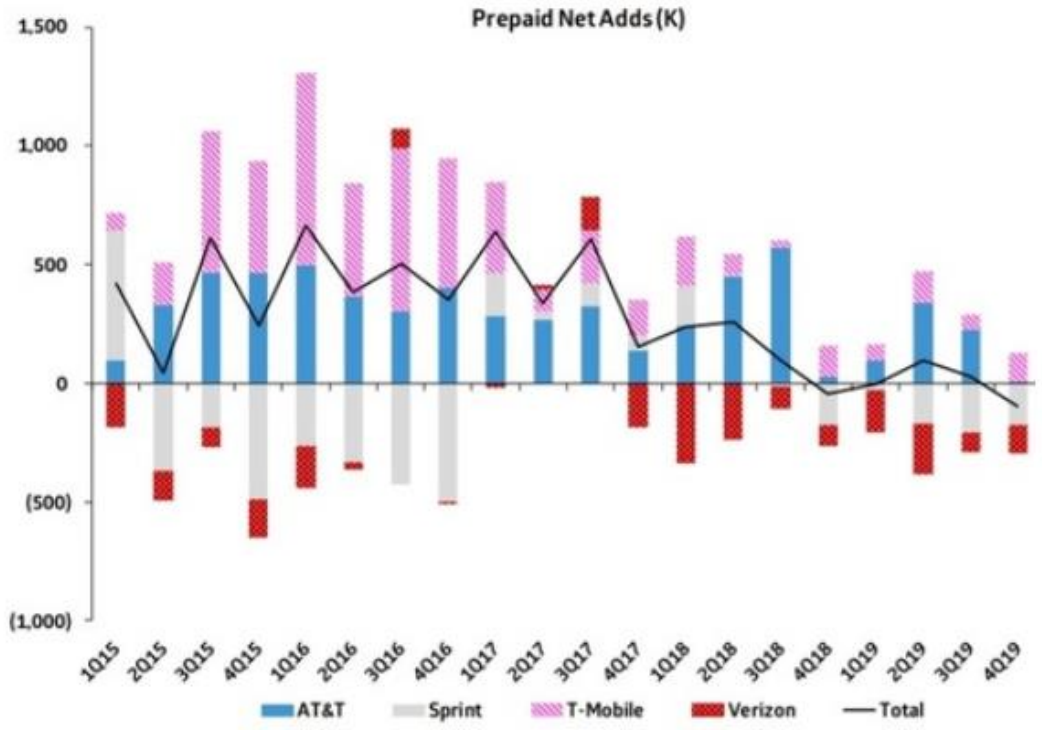


Source: Statista 2020

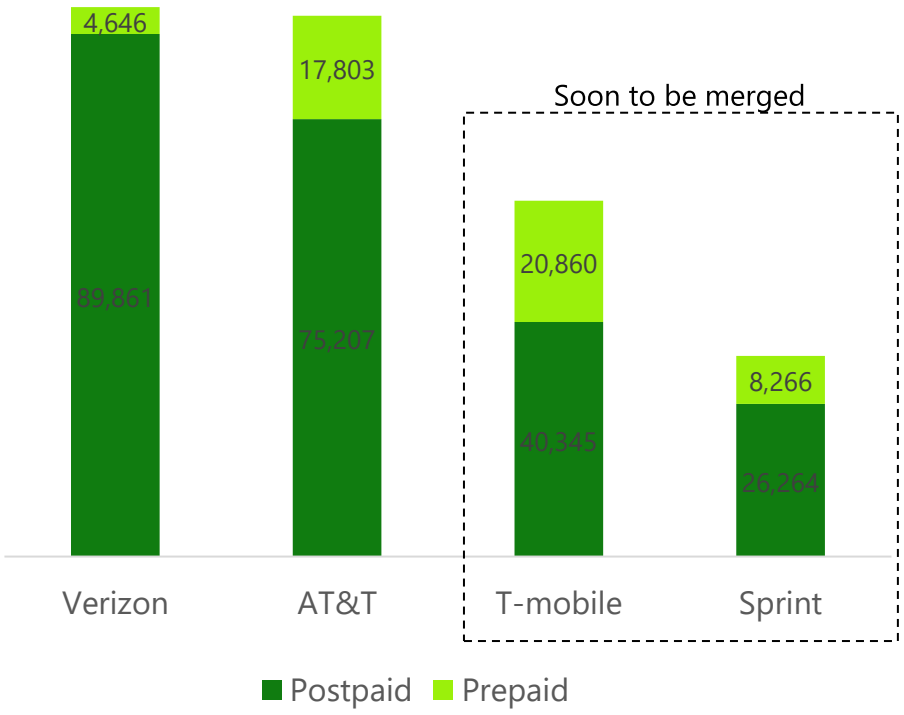
Microsoft

Cell phone plans – comparing prepaid to postpaid

U.S. wireless carriers lost 238K prepaid in Q4 of 2019, and over 330K prepaid customers over 2019



Breakdown of postpaid to prepaid customers per carrier



Microsoft

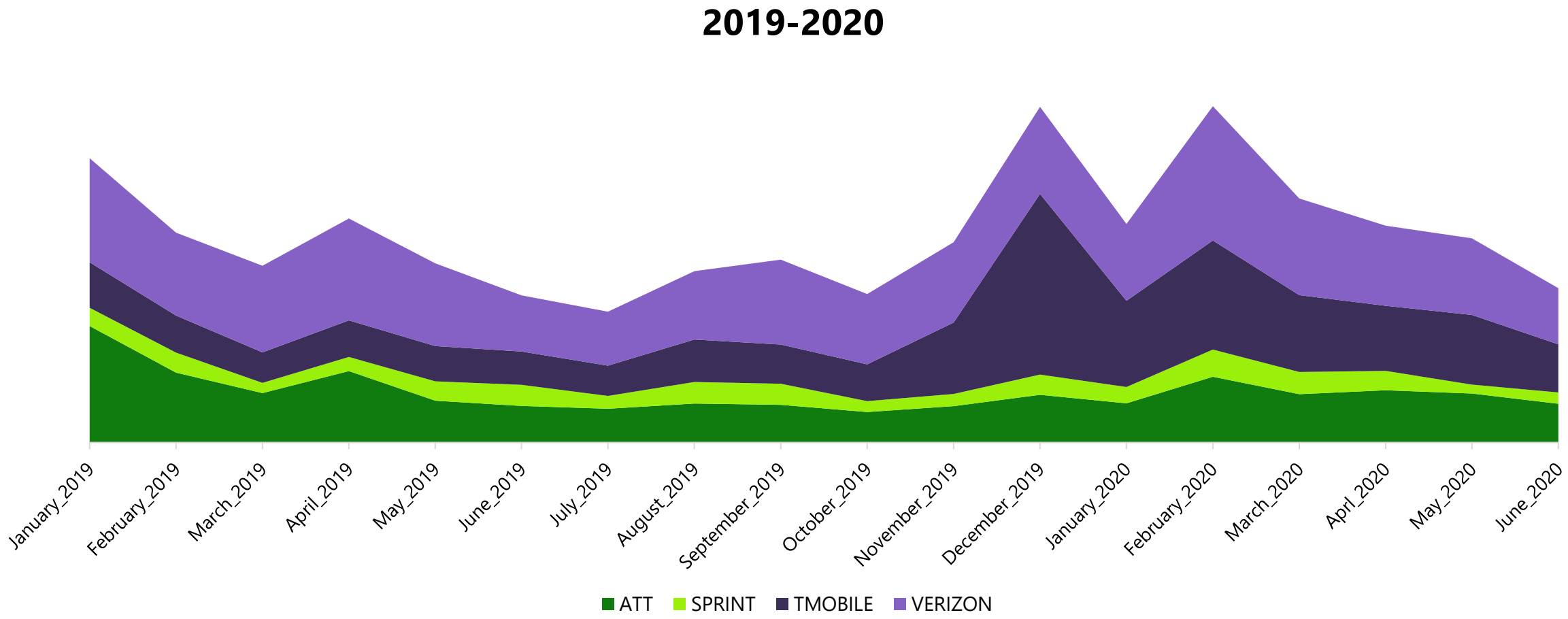
Microsoft Network consumers are split on how they will spend on technology after the pandemic is over

Home Technology

47% say they will spend the same or more when the pandemic is over
52% of males / 43% of females agree
35-54s are more likely to spend the same or more as 51% agree

Source: MSN CivicScience US on site user survey 18+ years May-June 20.

Carrier 5G queries remain high in 2020



Source: Microsoft Advertising Internal Data 2019- June 2020

Microsoft

The beginning of a path can illuminate what a consumer will likely click on at the end of their path. This was the result of the 2019 season:

When a path starts with a “postpaid carrier” related query	87% of the paths ended on a Postpaid Carrier click, 7% of last clicks were Prepaid Carrier, 1% were Samsung, 2.5% were non-brand, and the remaining 2.5% were Apple
When a path starts with a “prepaid carrier” related query	66% of the paths ended on a prepaid click, 25% postpaid carrier clicks, 3% were non-brand, 1% were Samsung, and 3% of last clicks were Apple Hardware & 2% Other
When a path starts with a “apple hardware” related query	54% of the paths ended on a Carrier click 30% of last clicks were Apple Hardware, 9.5% were Prepaid, 1.5% were Samsung, 4% were non-brand, 1% Other
When a path starts with a “samsung hardware” related query	51% of paths ended in a Postpaid Carrier click, 24% Samsung, 11% Prepaid Carrier, 7% Apple, 6% non-brand, and 1% were Other Hardware clicks
When a path starts with a “non-brand” related query	62% of paths ended on a Postpaid Carrier click 14% were Prepaid, 13% were non-brand, 8% were Apple, 3% were Samsung

Microsoft

Source: Microsoft Advertising Internal Data: July-Dec 2019