Autos marketplace: Device-specific trends and usage during lockdown

May, 2020
<table>
<thead>
<tr>
<th></th>
<th>Navigating devices</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>National emergency timeline (3)</td>
</tr>
<tr>
<td>2</td>
<td>Objectives (4-5)</td>
</tr>
<tr>
<td>3</td>
<td>Market overview (6-13)</td>
</tr>
<tr>
<td>4</td>
<td>Consumer journey (14-20)</td>
</tr>
<tr>
<td>5</td>
<td>KPI insights (21-26)</td>
</tr>
<tr>
<td>6</td>
<td>Search patterns (27-31)</td>
</tr>
<tr>
<td>7</td>
<td>Disaster recovery (32-43)</td>
</tr>
<tr>
<td>8</td>
<td>Appendix (46-49)</td>
</tr>
</tbody>
</table>
Analysis compares pre vs. post timeframes
Determined by the COVID-19 National Emergency (NE) Declaration date (March 13, 2020)
Have device usage and performance shifted as auto shoppers acclimate to the new normal?

+3%
Slight increase in handheld device share

-25%
Overall decline in in-market cost-per-clicks (CPCs), driven by the Partner Network on handheld

+69%
Improvement in post-NE vs. pre-NE handheld query volume delta (-4%) compared to prior year same period delta (-13%)
Macro state of the market year-to-date (YTD)
Automotive shoppers are actively searching the Microsoft Network on their PCs

16M
Automotive PC searchers not on Google

46%
Automotive PC Paid click share

Source: ComScore qSearch (custom), U.S., December 2019; industry categories based on comScore classifications.
However, the search opportunity on Microsoft is not limited to PCs. Handheld is critical to Autos advertisers, generating 76% more query volume for Autos than for the Total Market.

The partner network drives the Automotive space with 62% share of searches, 89% attributed to Mobile + Tablet.
Since the COVID-19 outbreak, Americans are spending more time on devices: smartphones (45%), tablets (22%), desktops (24%), and laptops (43%)
Driven by a slump in PC volume, Autos queries fell -6% post-lockdown, while the Total Market (TM) grew +14%
Competition wanes in the in-market Autos space post-NE, effecting surging efficiencies and an unprecedented return-to-market opportunity.

Attributed primarily to handheld, the number of served ads on in-market Autos queries dropped -5% post-NE. Meanwhile, ad serving increased +2% for the total market (TM).

Secure your positioning and establish history by returning to market while the search engine results page (SERP) is less saturated.

Monthly CPC trends by device YTD

Post-NE density delta | BY DEVICE

-6%
-4%
Efficiency gains in the Partner Network enabled advertisers in the in-market Autos space (and across TM) to achieve more visits for a much lower cost.

Driven by the Partner Network, CPCs for Autos declined by -25% and by -17% for TM, contributing to overall platform efficiencies (and widening the return on investment (ROI) gap between Microsoft and its SEM competitors).
Device usage patterns shifted slightly post-NE: Autos share on handheld devices increased 3% while PC decreased -5%.

*When removing the Partner Network, TM device share remained relatively flat (-2% drop in handheld; +0.5% in PC)
Consumer journey
With the limited real estate on handheld devices, customizing ad messaging to speak to your customers’ needs throughout their shopping journey is imperative.
Automotive journeys starting on mobile jumped 68% following the lockdown announcement

Although auto shoppers began their journeys on handheld devices 10% more frequently post-NE than pre-NE, PCs continued to be the most prevalent starting point in the auto journey with 84% device share.
Automotive journeys starting after lockdown saw a 36% increase in mobile share of path endpoints.

Auto shoppers who began their search paths post-NE were 14% more likely to end on handheld devices than when starting their journey pre-NE.
Original Equipment Manufacturer (OEM) visits double when stacking 2+ ads. Multi-serving is increasingly effective post-NE, generating a 14% higher response.

Stacking ads (2+ vs. 1) OEM page click-through rate (CTR) increase by device

With only four ad placements on a mobile device, stacking ads allows OEMs to own the SERP.

Enable all tiers to serve simultaneously and capture shoppers at every stage in the purchase funnel, increasing share of SERP.
62-78% of Americans approve of brands advertising in response to COVID-19, running promotions / loyalty perks and offering flexible payment terms

Source: GWI The Global Consumer Impact Wave IV – May, 2020
Handheld users are clicking on paid automotive results 20% more frequently while in quarantine, finding comfort in automakers’ relief ad messaging.

With the mobile screen size limitations, the implications of the inability to update search engine optimization (SEO) in real-time were more pronounced than on PC.

Leverage responsive search ads to ensure the right message reaches your customers.

Journeys compared: start date Pre-NE vs start date Post-NE.
Key performance indicator (KPI) trends
Aside from a slight dip in April as users adapted to modified shopping tactics, dealer queries primarily sustained its share of mind.

Although overall volume declined along with the Autos marketplace, dealer share of the Autos queries remained relatively flat following stay-at-home mandates across all devices.

**Microsoft Internal Data, January-May 24, 2020.**

*Autos = in-market for new + CPO and aftermarket; Total Market = total universe of MSFT + Partner Network queries.*

**SRPV = search results page view**

**MoM = Month over month**

**YTD = year to date**
Automotive shoppers searched not only to buy, but to understand how and when to purchase.

Home deliveries have shot up from less than 5% of new-vehicle sales to nearly a quarter of all sales.

Add relevant keywords and customize copy to address interest in alternative shopping options.

Size of text indicates frequency.
Autos = in-market for new + CPO and aftermarket; Total Market = total universe of MSFT + Partner Network queries.
Question queries are prevalent in emerging dealer queries

Top emerging dealer queries across all devices post-NE

Anomalous to the autos marketplace, emerging dealer queries (many of which focused on home deliveries) were searched more frequently on [home] PCs than handheld devices

Remarket to these shoppers with updates about dealership openings and delivery offerings
Incentive queries for in-market-for-new vehicles* (IMNV) drove the Autos marketplace up in March with OEMs pushing their relief efforts broadly.

Incentive share of IMNV queries on handheld devices is currently 23.4%

Despite post-NE incentive SRPVs declining -5%, incentive share of IMNV queries rose 9% driven by PC’s 16% jump.

Respond to both new vehicle and incentive queries with special offers and timely promos in your ad copy.

*IMNV: new or undefined (ie not CPO / used)
Interest in fuel-efficient vehicles dropped -11% post-NE as the U.S. Corporate Average Fuel Economy (CAFE) standards relaxed.

The decline in fuel economy is seen primarily on PCs and Microsoft Owned & Operated properties. Target UV and Truck shoppers searching on home computers with alt fuel vehicle options in the same segments.

Audience target consumers interested in sustainability.

Autos = in-market for new + CPO and aftermarket; Total Market = total universe of MSFT + Partner Network queries.
Search patterns
With more time to search, automotive queries grew in length, primarily on tablets.

Query length share growth patterns post-NE by device:

Post-NE 3+ word share delta by device:
- Short: 4%
- Medium/Long: 5%

Medium to long (3+ words) automotive query share grew 5% across all devices post-lockdown.

Leverage search term reports to identify longer tail keywords additions.

Autos = in-market for new + CPO and aftermarket; Total Market = total universe of MSFT + Partner Network queries.
57% more males than females say they will prioritize purchasing cars / vehicles after COVID-19

(% who say they will prioritize making these large purchases first)

Source: GWI The Global Consumer Impact Wave IV – May, 2020
Likely attributed to a blend of decreased necessity and dwindling disposable time, post-NE share of females searching for autos declined across all devices, with mobile usage falling -14%.

In surveys** conducted post-NE, share of Americans who say their lives have been disrupted by the coronavirus outbreak has increased, with females consistently feeling more impacted than males (11% greater in aggregate).

Leverage audience targeting to customize messaging to each demographic.
Shifting interest from imports post-NE, females prefer domestic brands across all devices

According to Microsoft Internal Data, January-May 24, 2020, *Only logged-in users are identified by gender (~50% of O&O; 1% of Syndication). Autos = in-market for new + CPO and aftermarket; Total Market = total universe of MSFT + Partner Network queries.

Apart from Tesla, all makes seeing a statistically significant drop in female interest share are imports.

Remarket imports to re-engage with women and to retain male shoppers.

### Post-NE female SRPV share delta by rising make

<table>
<thead>
<tr>
<th>Make</th>
<th>SRPV Share Delta</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ford</td>
<td>12%</td>
</tr>
<tr>
<td>Chevrolet</td>
<td>11%</td>
</tr>
<tr>
<td>Jeep</td>
<td>10%</td>
</tr>
<tr>
<td>Dodge</td>
<td>8%</td>
</tr>
<tr>
<td>GMC</td>
<td>7%</td>
</tr>
<tr>
<td>Nissan</td>
<td>-11%</td>
</tr>
<tr>
<td>Volkswagen</td>
<td>-11%</td>
</tr>
<tr>
<td>Honda</td>
<td>-10%</td>
</tr>
<tr>
<td>Hyundai</td>
<td>-8%</td>
</tr>
<tr>
<td>Tesla</td>
<td>-6%</td>
</tr>
<tr>
<td>Toyota</td>
<td>-6%</td>
</tr>
<tr>
<td>Kia</td>
<td>-5%</td>
</tr>
<tr>
<td>BMW</td>
<td>-5%</td>
</tr>
<tr>
<td>Subaru</td>
<td>-4%</td>
</tr>
</tbody>
</table>
In-market vehicles: disaster recovery guide
DISASTER RECOVERY: Performance expectations and recommendations to operate in a pandemic

Analysis compares immediate pre vs. post timeframes

Determined by the COVID-19 National Emergency (NE) Declaration date (March 13, 2020)

<table>
<thead>
<tr>
<th>“Pre” timeframe</th>
<th>“Post” timeframe</th>
</tr>
</thead>
<tbody>
<tr>
<td>25-Jan</td>
<td>1-Feb</td>
</tr>
<tr>
<td>Jan.</td>
<td>February</td>
</tr>
</tbody>
</table>

The following sections analyze the immediate 7-week impact post-NE and offer guidance on how to most effectively manage your business.
In-market vehicles by model year
Post-NE, overall searches for new vehicles peaked in weeks 11 to 13, largely due to strong purchase incentives. Since then, new vehicles searches have been declining on all three device types.

Microsoft Internal Data, January - April 30, 2020
Post-NE period of Weeks 11 to 17 compared to Weeks 4 to 10

Since the NE, the top rising branded searches for new vehicles were for UVs on mobile, followed by cars on mobile, UVs on PC, and trucks on mobile.

Shift budgets to support new UVs and cars on mobile, and to cover UVs on PC.
Since the NE was declared, overall searches for used vehicles have decreased by -20% on PC, -4% on tablet, and -3% for mobile.

Microsoft Internal Data, January - April 30, 2020
Post-NE period of Weeks 11 to 17 compared to Weeks 4 to 10

Rising branded models by searches for used vehicles:

Since the NE, the top rising branded searches for used vehicles were for trucks on mobile.

Consider prioritizing keyword budget for used trucks on mobile, followed by cars and UVs.
In-market vehicles by segment
Truck searches on mobile have increased +6% while cars and UVs saw minimal movement at +1% and -3% respectively.

CPCs across all defined segments dropped -36%, driven by the Partner Network's (-41%) decline.

Although mobile searches for UVs are down post-NE, five of the top ten rising models are UVs.

Microsoft Internal Data, January - April 30, 2020
Post-NE period of Weeks 11 to 17 compared to Weeks 4 to 10

Prioritize trucks and cars / UVs with gains while efficiencies in the market are optimal.
Since NE was declared, PC searches for cars and UVs have decreased by -13% and -12% respectively but increased for trucks by 11%. Truck lift is likely attributed to incentive benefits / personal use needs\(^1\). CPCs across all defined segments dropped -16%, driven by O&O's $0.30 (-16%) decline.

Despite declines in car and UV queries on PCs, cars and UVs represent nine of the top ten rising models.

Promote rising models and trucks to target the most captive audience on PCs while the market is extremely efficient.
Post-NE, segment queries on tablets peaked during weeks 11 to 13 and subsequently fell, continuing to decline through April. Driven by the Partner Network, CPCs across all defined segments dropped -24%.

Tablet searches by vehicle segment post-NE (includes brand & non-brand)

UV models account for 40% of rising models on tablets, while cars and trucks are both 30% of growth by searches.

Consider a relatively even split on keyword budget between cars, trucks and UV for tablets.

Microsoft Internal Data, January - April 30, 2020
Post-NE period of Weeks 11 to 17 compared to Weeks 4 to 10
In-market vehicles by class
Overall economy vehicle searches have decreased by -7% on PC, -1% on tablet, and –7% on mobile post-NE.

Although overall economy searches are declining post-NE, several vehicles have seen statistically significant search increases:

- Toyota Tacoma (Truck)
- Volkswagen Passat (Car)
- Subaru Outback (UV)
- Toyota Highlander (UV)
- Volkswagen Atlas (UV)
- Chevrolet Silverado (Truck)
- Ford F-150 (Truck)
- Chevrolet Sonic (Car)
- Buick Enclave (UV)
- GMC Sierra (Truck)
- Chevrolet Silverado (Truck)
- GMC Sierra (Truck)
- Volkswagen Beetle (Car)
- Volkswagen Tiguan (UV)
- Toyota Tundra (Truck)

*Bold indicates statistically significant growth (greater than one standard deviation)*
After peaking in week 13 due to strong purchase incentives, luxury vehicle searches have declined for all three device types, potentially driven by rising unemployment\(^1\) and economic uncertainty\(^2\).

Although overall luxury searches are declining, several models have seen statistically significant search increases post-NE:

- Volvo XC60 (UV)
- Acura MDX (UV)
- Cadillac CT5 (Car)
- Volvo XC90 (UV)
- Audi R8 (Car)
- Volvo XC90 (UV)
- Volvo XC60 (UV)
- Audi RS (Car)
- Audi E-Tron (UV)
- Cadillac XT6 (Car)
- Volvo XC40 (UV)
- Volvo XC60 (UV)
- Audi RS (Car)
- Infiniti QX60 (UV)
- Acura RDX (UV)

*Bold indicates statistically significant growth (greater than one standard deviation)*

---

\(^1\) [https://fred.stlouisfed.org/series/ICSA](https://fred.stlouisfed.org/series/ICSA)

\(^2\) [https://fred.stlouisfed.org/series/USEPUINDXD/](https://fred.stlouisfed.org/series/USEPUINDXD/)
Strategies and recommendations

Learn immediate and recovery-phase strategies, and how to approach new opportunities and optimize account health in the Digital Advertiser's Guide to COVID-19
Thank you!
Appendix
“Home shopping enables control over the purchase process as well as stronger knowledge about prices and deals.”

“A byproduct of the shutdown is that more dealers are embracing digital tools to enable sales without having to show up in person.”

“The Trump administration’s rollback of mileage standards marks a win for Americans who like their SUVs and pickup trucks.”