Microsoft

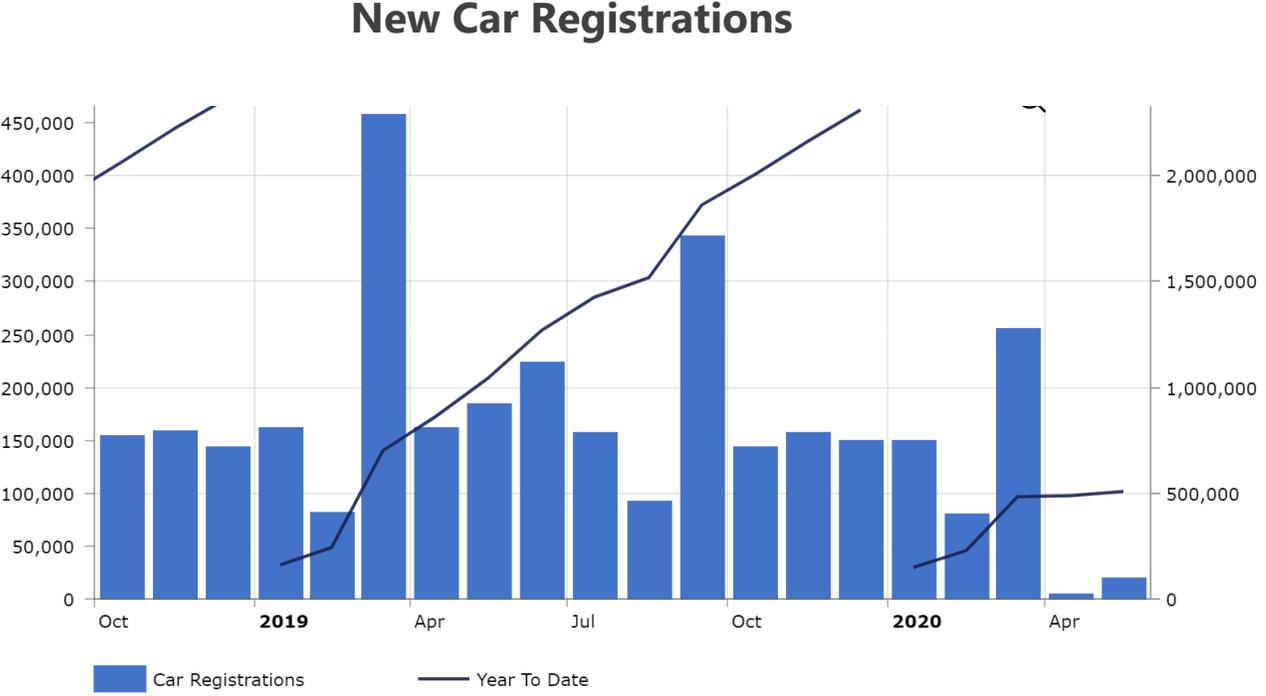# Continued impact of COVID-19 on the Auto Industry

As of 30th May, 2020

New car registration shows signs of recovery

New Car Registrations

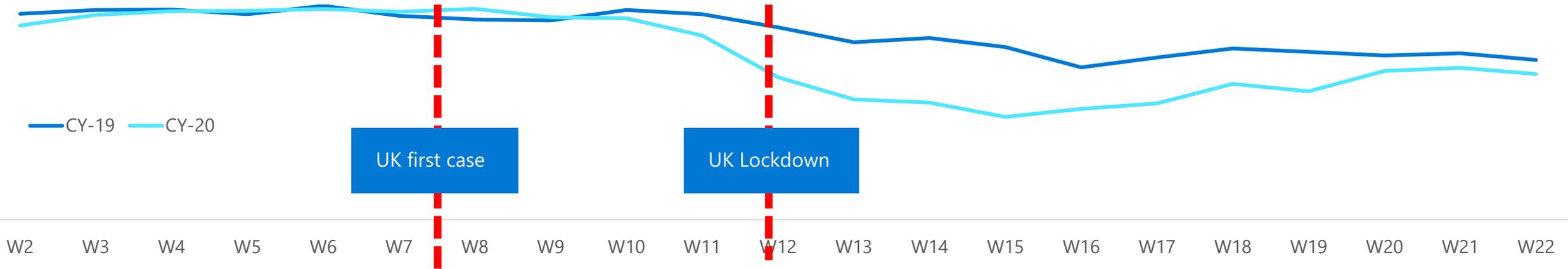Legend: Car Registrations | Year To Date

-44% year-on-year Mar-20

-97% year-on-year Apr-20

-89% year-on-year May-20

As we gradually head back to "normalcy" with the continued need for social distancing - a new wave of car buyers are expected to enter the market in coming months.

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Changing scenarios & needs leading to increased research & searches

Indexed* search volume

— CY-19 — CY-20

UK first case

UK Lockdown

W2 W3 W4 W5 W6 W7 W8 W9 W10 W11 W12 W13 W14 W15 W16 W17 W18 W19 W20 W21 W22

Potential reasons for increase in search activity:

- **Safer essential journey** and back to work – less public transport dependencies

- **Click and collect** was one step ahead of showroom opening encouraging potential buyers

- Continued shift towards **Alternate Fuel Vehicles (AFV)** as consumers explore available options (model + brand), government grants & AFV segment in general

- **Government aid** to car buyers esp. **potential scrappage scheme** for petrol and diesel cars)

- Need to understand the changes in **back to showroom and test drives amidst COVID-19** situation and the need for social distancing

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Recovery is expected to continue, as need increased

- **Short-term averages** are growing since the middle of April and have **crested** long-term averages at the start of May.

- Data suggests a start of recovery, advertiser could consider **scaling up activity** in this category to gain a **first-mover/competitive advantage**

More on how to read this graph and methodology in the appendix
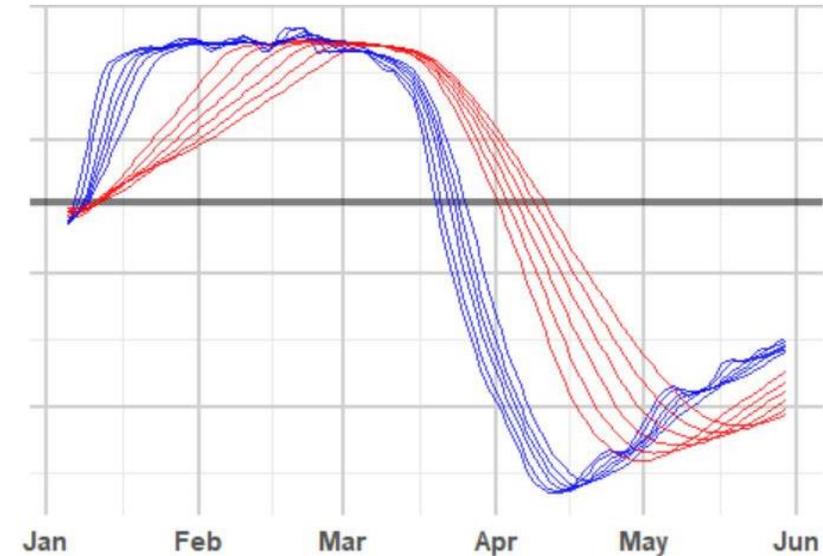
Data: Microsoft Advertising Internal, January 2020 - Present
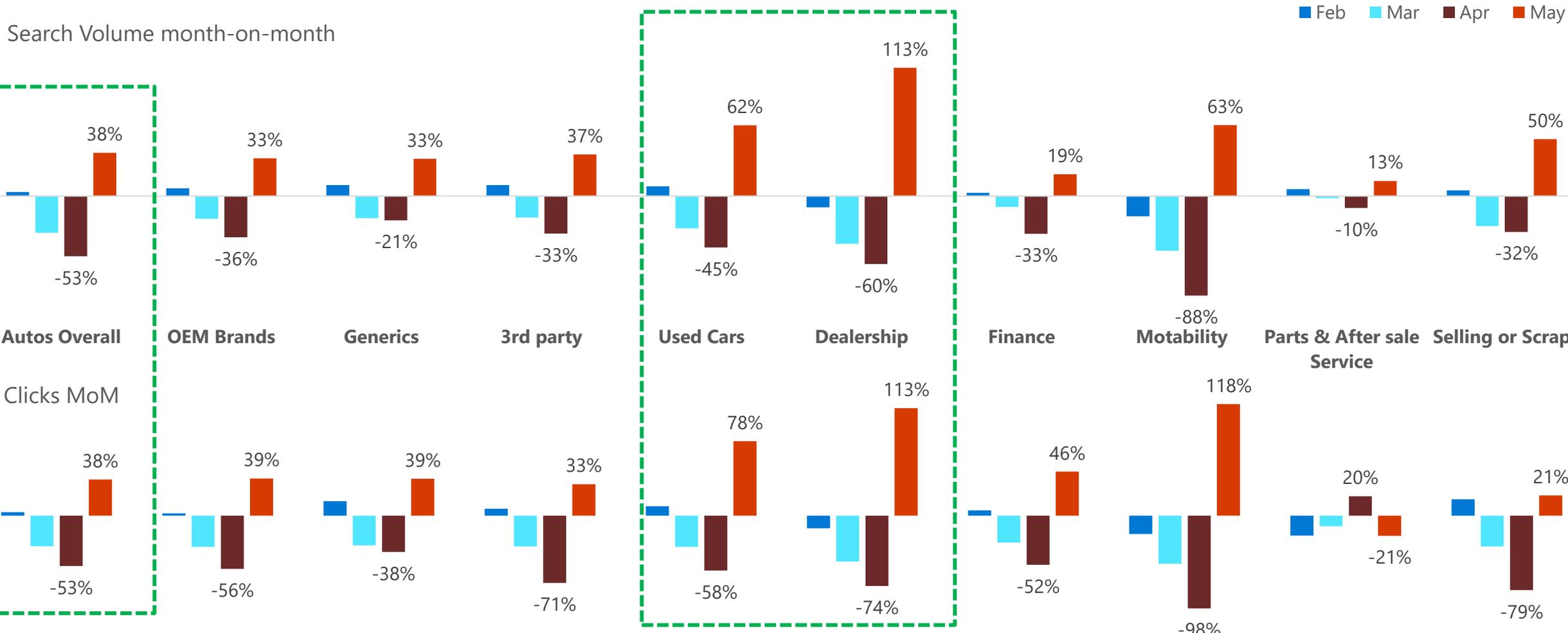
MACD-type analysis:

This offers an at-a-glance high-level signal about the **commercial viability** (marketplace index) of our auto marketplace compared to times of **relative normality**

If all **short-term** averages (blue lines) **grow/break through long-term** averages (red lines) this might be a **sign of recovery**

Legend:
3, 5, 8, 10, 12, 15 day moving (short-term) averages of marketplace index
30, 35, 40, 45, 50, 55 day moving (long-term) averages of marketplace index
Grey **thick** line: Estimated 'normal' level

Microsoft

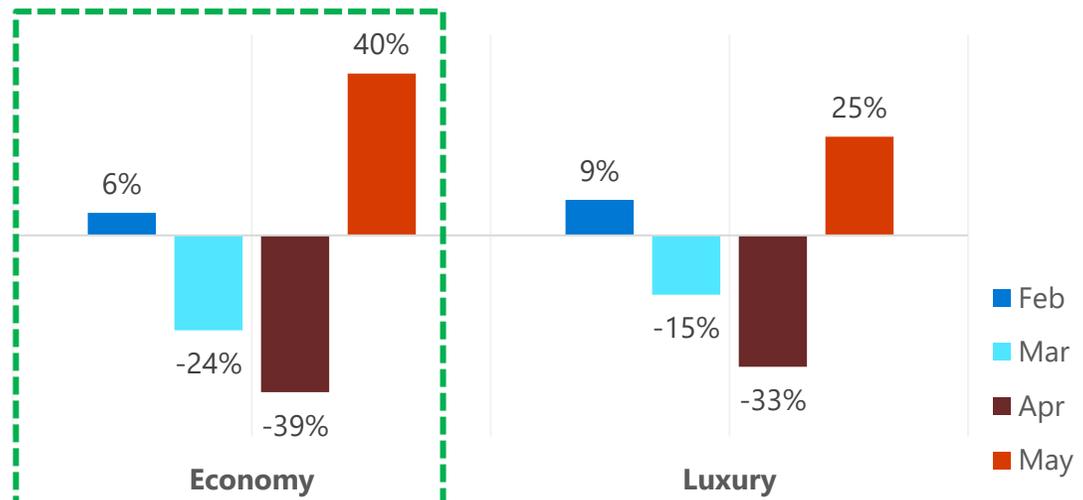# Consumers are back in the market with renewed needs and buying intent
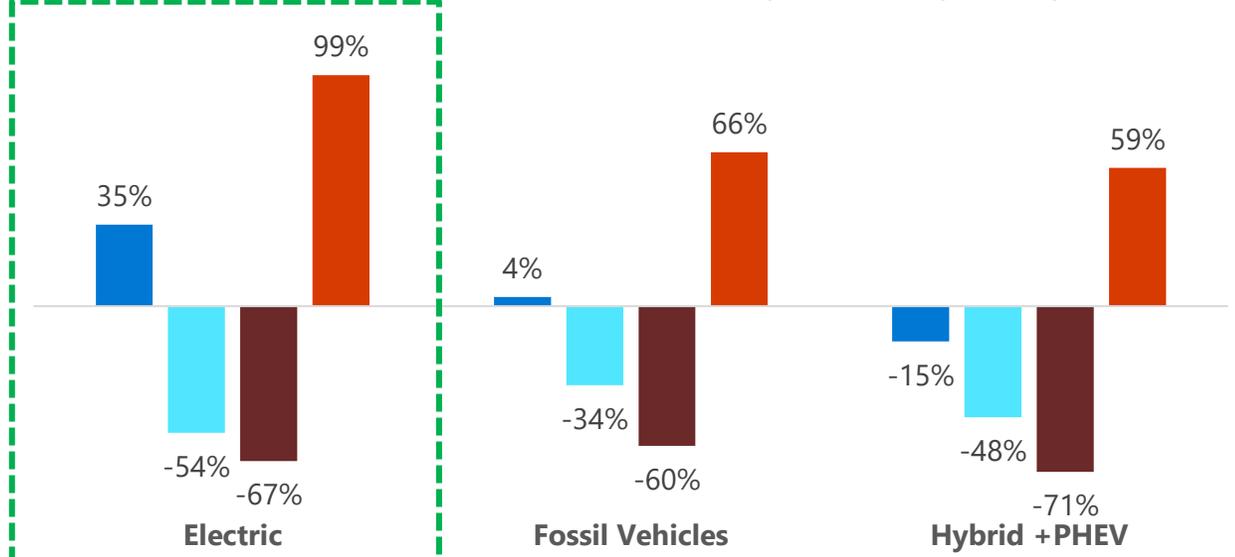## Used vehicles and showroom visits readiness is the highlight amongst rest of the recovery

Feb ■ Mar ■ Apr ■ May ■

Search Volume month-on-month

	Autos Overall	OEM Brands	Generics	3rd party	Used Cars	Dealership	Finance	Motability	Parts & After sale Service	Selling or Scrap
May	38%	33%	33%	37%	62%	113%	19%	63%	13%	50%
Apr	-53%	-36%	-21%	-33%	-45%	-60%	-33%	-88%	-10%	-32%

Clicks MoM

	Autos Overall	OEM Brands	Generics	3rd party	Used Cars	Dealership	Finance	Motability	Parts & After sale Service	Selling or Scrap
May	38%	39%	39%	33%	78%	113%	46%	118%	20%	21%
Apr	-53%	-56%	-38%	-71%	-58%	-74%	-52%	-98%	-21%	-79%

Microsoft

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Source: Internal Data, All Device

Electric & economy vehicles could spearhead needs of new car buyers

Search Volume month-by-month by class
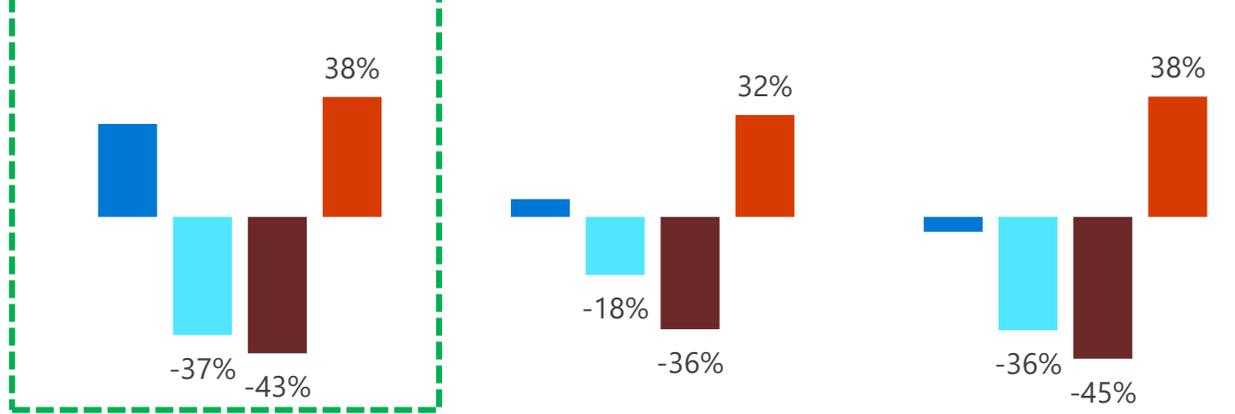
Economy
- 6%
- -24%
- -39%
- 40%

Luxury
- 9%
- -15%
- -33%
- 25%

Legend:
- Feb
- Mar
- Apr
- May

Search Volume month-by-month by fuel type

Electric
- 35%
- -54%
- -67%
- 99%

Fossil Vehicles
- 4%
- -34%
- -60%
- 66%

Hybrid +PHEV
- -15%
- -48%
- -71%
- 59%

Clicks month-by-month by class

Economy
- 2%
- -36%
- -64%
- 83%

Luxury
- 8%
- -33%
- -54%
- 46%
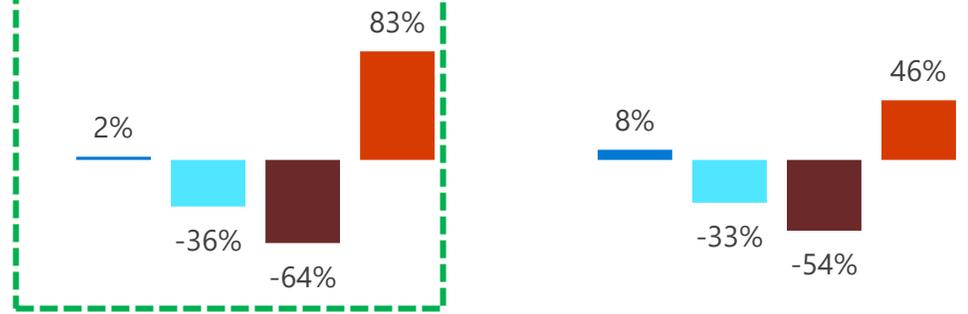
Clicks month-by-month by fuel type

Electric
- -37%
- -43%
- 38%

Fossil Vehicles
- -18%
- -36%
- 32%

Hybrid +PHEV
- -36%
- -45%
- 38%

Slightly greater demand for SUVs, potentially due to continued family time and increased staycations post lockdown

Search volume month-by-month by vehicle body type

Clicks month-by-month by vehicle body type

Microsoft

Top recommendations

Newer and greater demand in coming months

Getting back to normalcy with the continuing need to social distancing, increase in demand is expected. Prepare-Communicate-Engage with consumers to the fullest

Ensure your AFV campaigns are UpToDate

AFV is top of mind for most consumers and a key shopping consideration. Expand and optimise for maximum visibility as the demand peaks.

Revise and revamp your ad copies and landing page content

Reflect today's needs and sentiments through your ad copies & Landing pages – like store visit and test drive info, AFV options, financing ….

Retargeting

Retargeting & Re-engage with consumers who visited your site and expressed interest in the recent months.

Not all of UK showrooms are opening yet

Explore location targeting keeping in mind that the consumers can continue car buying in England withs stores still closed in other parts of the country
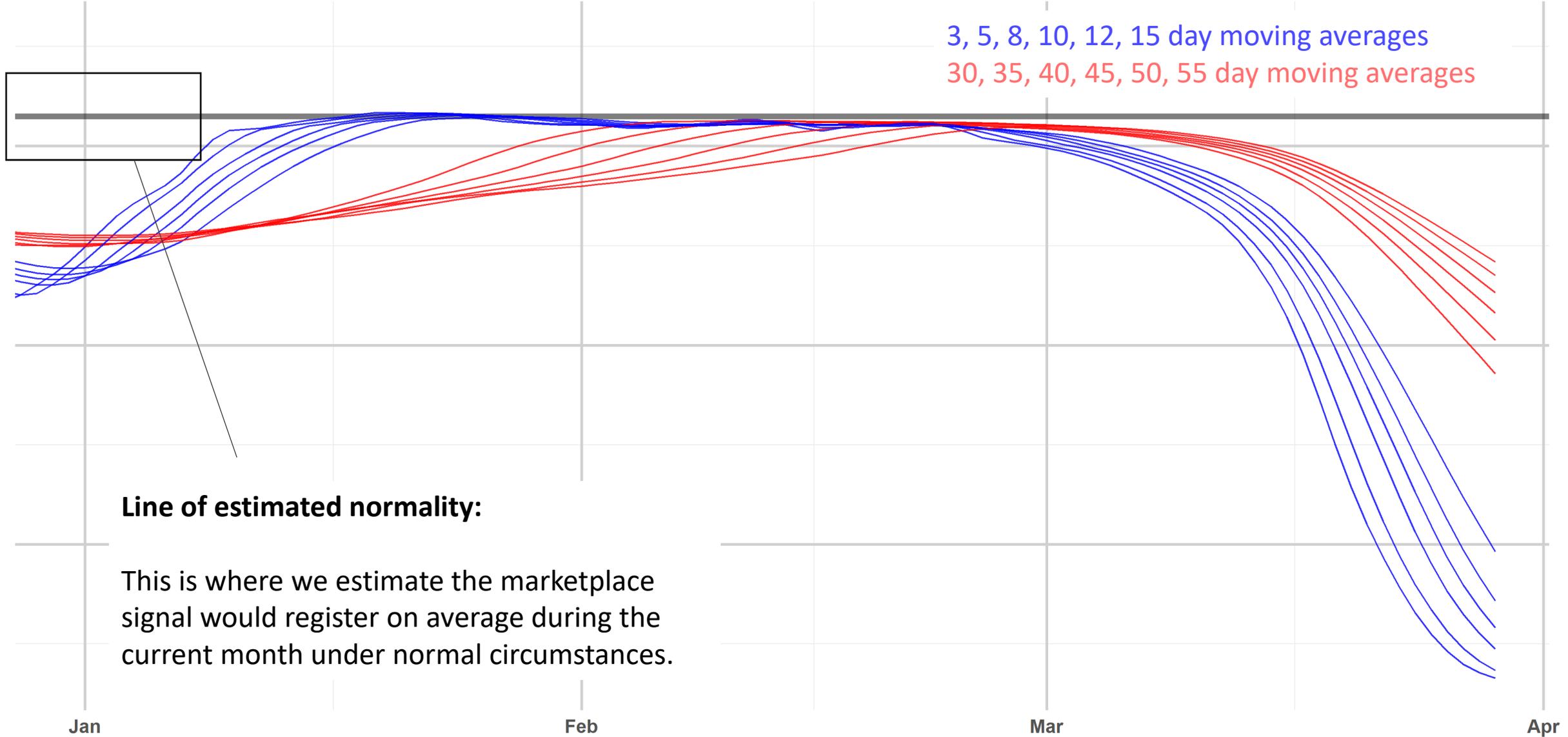
Expand further into generics

Generics are critical than ever before, as consumer adapt to new lifestyle needs, new buying processes and new technology (AFV)

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Appendix

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How the signals are extracted?

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Marketplace Rebound Signal Search - United States

Short View

3, 5, 8, 10, 12, 15 day moving averages
30, 35, 40, 45, 50, 55 day moving averages

Line of estimated normality:

This is where we estimate the marketplace signal would register on average during the current month under normal circumstances.

Jan   Feb   Mar   Apr

Microsoft Advertising Internal, Jan 2020 - Present

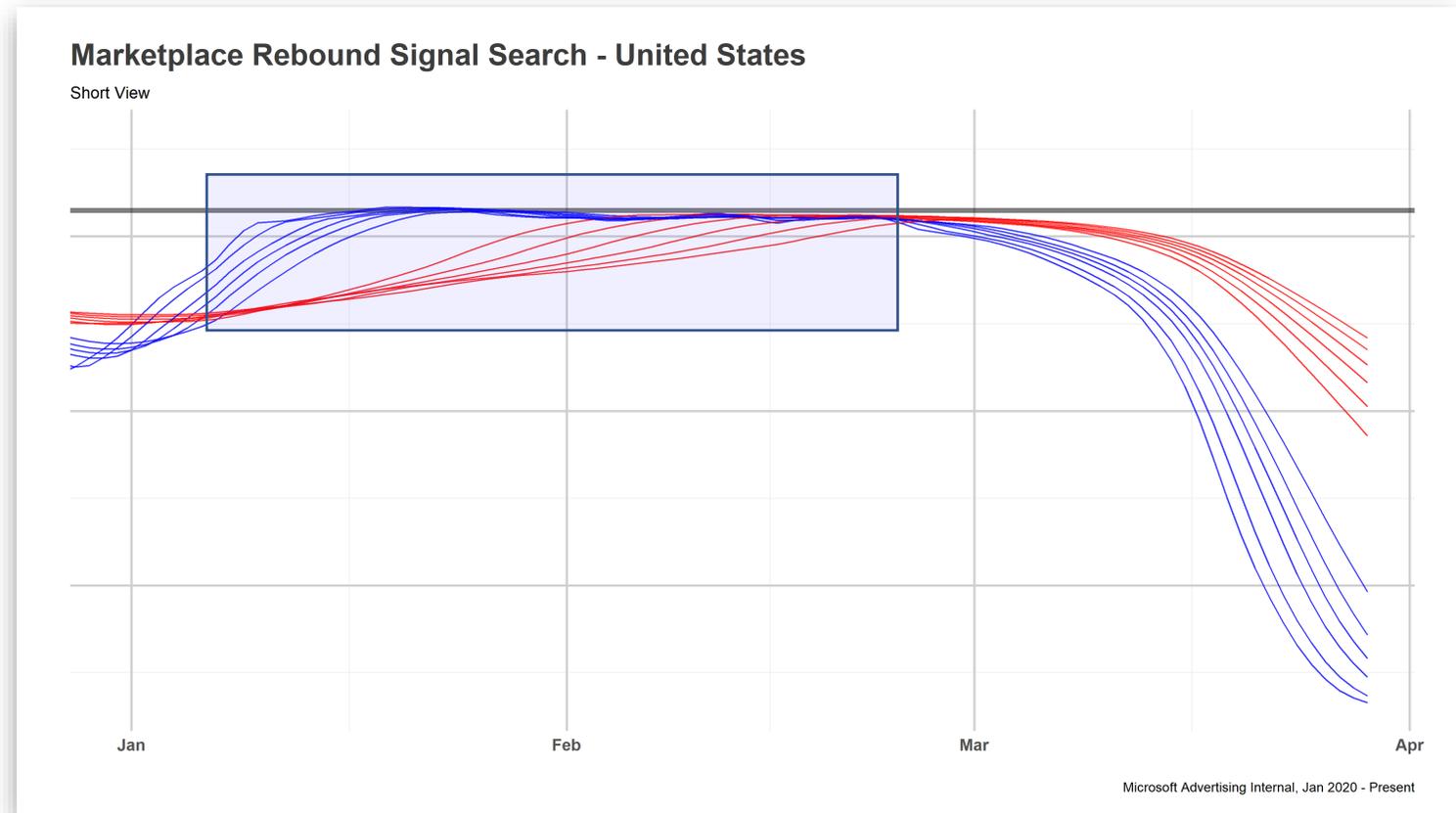# Signal:

Here our cluster of shorter term moving averages has consolidated around the estimated line of normality, pulling latent longer term moving averages with it.

When there is a period with all six short term moving averages above all six long term moving averages, this a confirmed market uptrend.

Marketplace Rebound Signal Search - United States

Short View

Jan   Feb   Mar   Apr

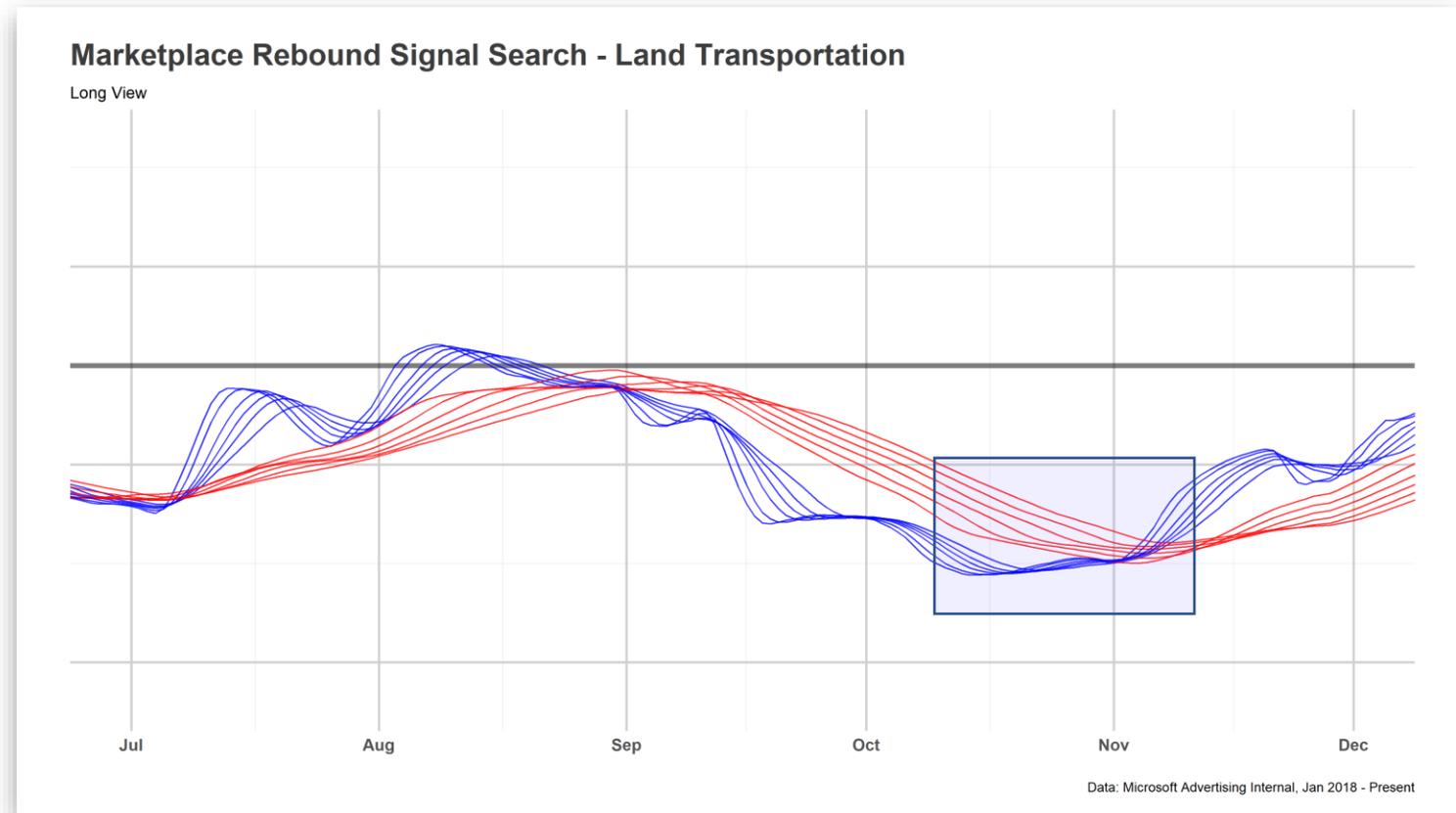Microsoft Advertising Internal, Jan 2020 - Present

Microsoft

Signal:
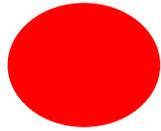

In this example, we see all six longer term moving averages floating above all six shorter term moving averages suggesting a downtrend.

However, the shorter term moving averages begin to reverse course, and move back through the longer term moving averages. This is an indication that the marketplace is possibly turning around, and a good opportunity for advertisers to re-enter.

Marketplace Rebound Signal Search - Land Transportation

Long View

Jul   Aug   Sep   Oct   Nov   Dec

Data: Microsoft Advertising Internal, Jan 2018 - Present

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Signal:

In this example, there is a clear negative gap between the long term moving averages and the short term moving averages.

When the cluster of short term averages demonstrates behavior in the opposite direction, it will be time to think about a yellow signal. Until then, this is firmly a downtrend.

Microsoft
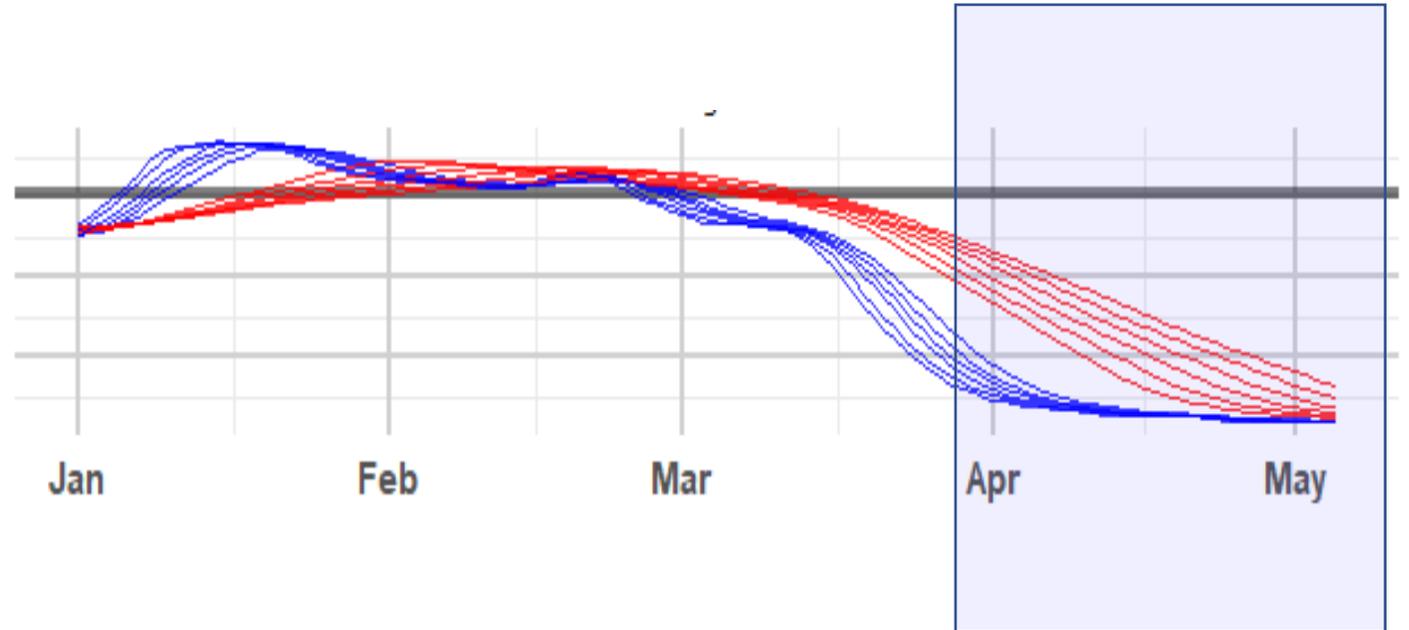
What comprises the marketplace index?

Microsoft

Marketplace Index is a composite metric built to reflect the following behaviors:

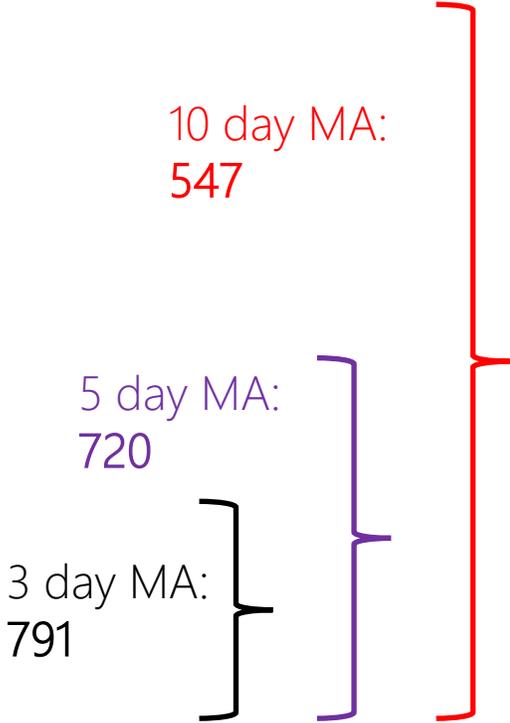| Search Volume	Advertiser Participation	Auction Activity	Searcher Intent

Microsoft

A primer on how moving averages work

Date	Value
3/20	500
3/21	650
3/22	700
3/23	400
3/24	250
3/25	300
3/26	425
3/27	500
3/28	525
3/29	700
3/30	650
3/31	825
4/1	900

10 day MA:
547

5 day MA:
720

3 day MA:
791

A **simple moving average** calculates the average of a selected range of values. For instance, the 3-day moving average for the date of 4/1 would be the average of the attendant values for the dates of 4/1, 3/31, and 3/30.

Microsoft