Retail Holiday 2021

The changing retail landscape

Microsoft Advertising. Great relationships start here.

Summary

Competition is high this year driven by changing behavior and increased advertiser demand

Shoppers have started early this year – as seen in both survey and search data

Gift Cards, BOPIS (Buy-Online and Pick-up In-Store) , BNPL (Buy Now Pay Later), and Sustainability will be key trends this Holiday

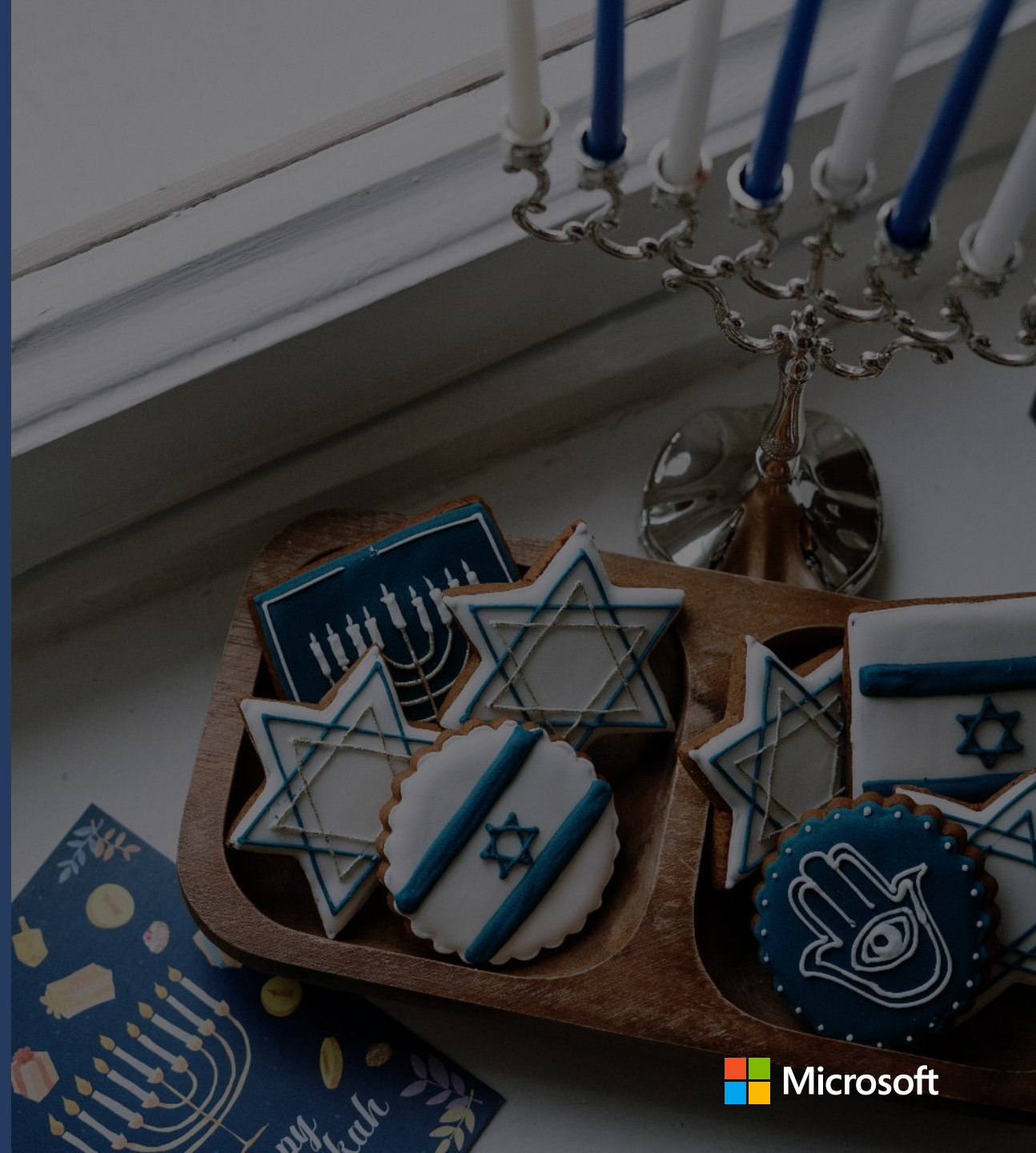Categories that rose or fell due to shelter-in-place have reversed trends

Advertisers see incremental lift in site visits and conversion rate when reaching users across both Search and Native

Microsoft
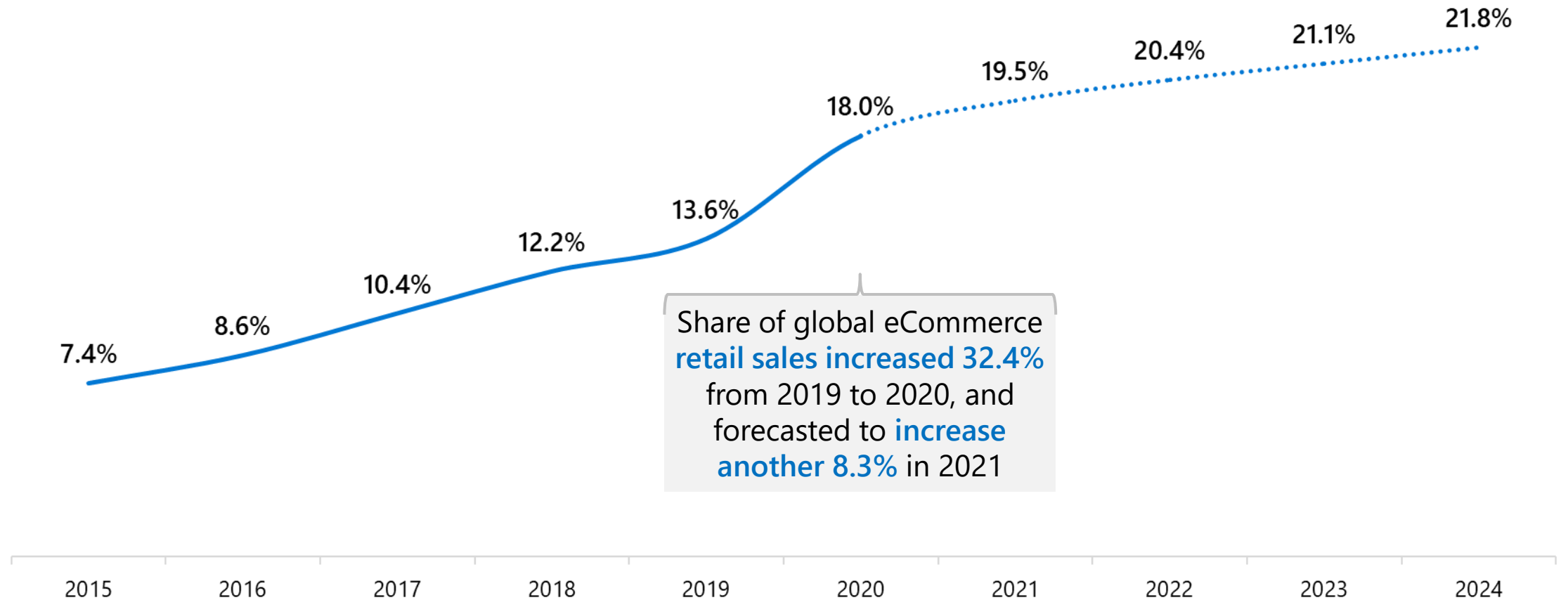
Agenda

Microsoft

Macro Trends

The pandemic accelerated already growing eCommerce adoption
eCommerce share of global retail sales

7.4%
8.6%
10.4%
12.2%
13.6%
18.0%
19.5%
20.4%
21.1%
21.8%

Share of global eCommerce **retail sales increased 32.4%** from 2019 to 2020, and forecasted to **increase another 8.3%** in 2021

2015 2016 2017 2018 2019 2020 2021 2022 2023 2024

Microsoft

It's going to be a digital-first holiday season, and the trend will continue to accelerate

Total global share of consumers who shopped online in 2020, by region

Region	Share
Global average	85%
North America	78%
Asia	86%
Europe	83%
South America	86%
Australia	79%
Rest of the world	85%
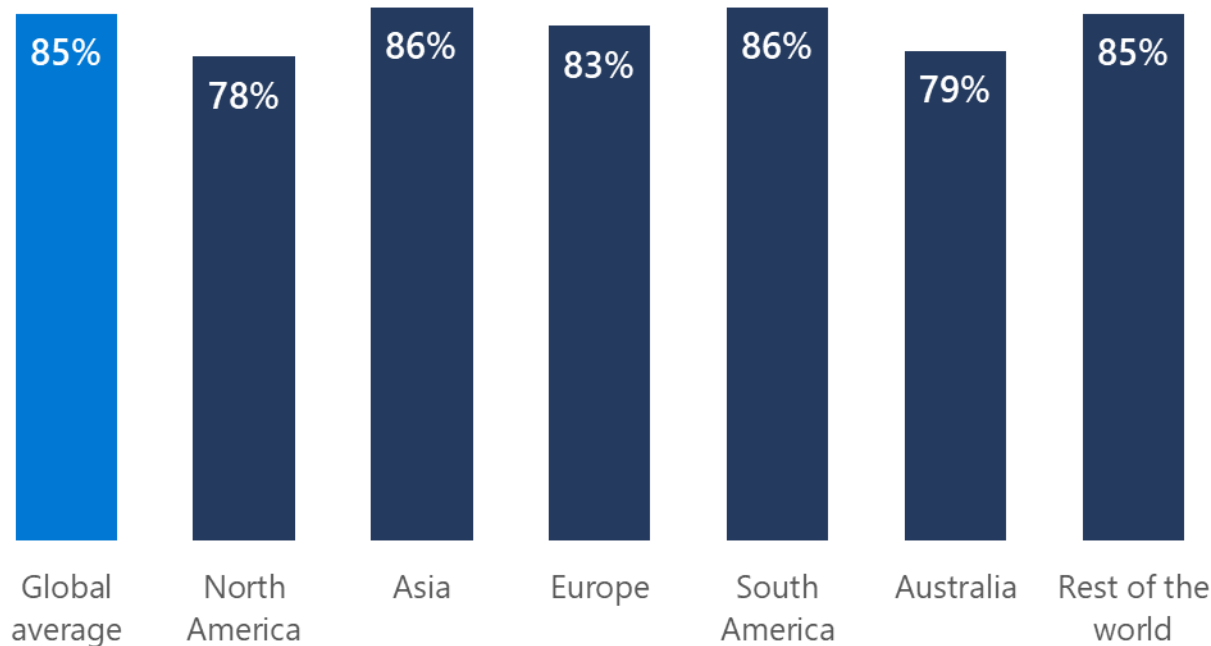
1 in 5

people are expecting to increase their online shopping behavior over the next year

Microsoft

Search continues to play a critical and ever-present role globally

76%
of consumers worldwide
bought a product due to
researching online[1]

48%
of consumers worldwide
used search to start
searching for products[3]

25% **of all global online orders**
came from shoppers who utilize
the search bar during their session[2]

Source:
1. IMI Next Wave, dCommerce: Winning in 2020 & Beyond, 2020.
2. AWU - Impact Drivers – Salesforce Industry Insights, https://public.tableau.com/app/profile/salesforcecommercecloud/viz/AWU-ImpactDrivers/AWU-ImpactDriversM
3. Statista, https://www.statista.com/statistics/1034209/global-product-search-online-sources/

Microsoft

Retail is trending toward a very competitive Holiday season

Snapshot of US RETAIL market trends with YTD metrics (1/1-10/1)

Searches

······ 2019   - - - 2020   —— 2021

Cost per Click

······ 2019   - - - 2020   —— 2021
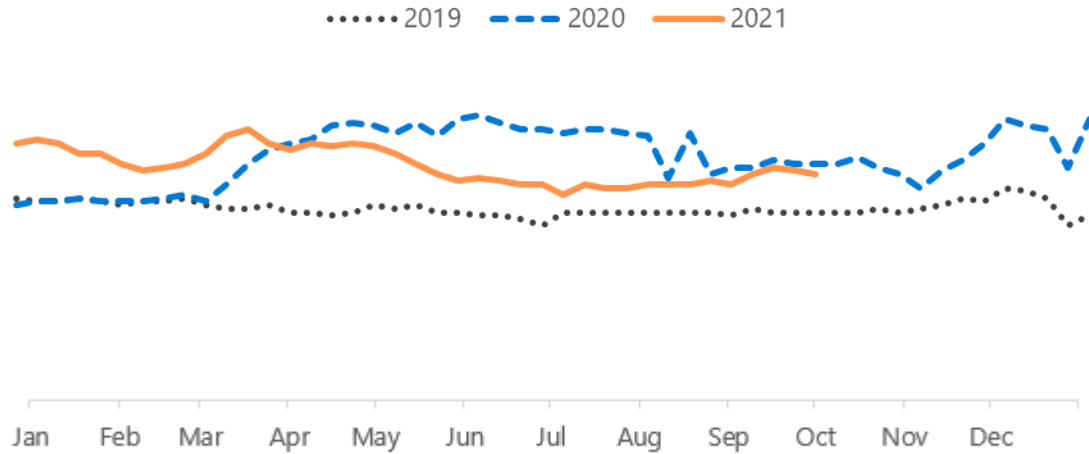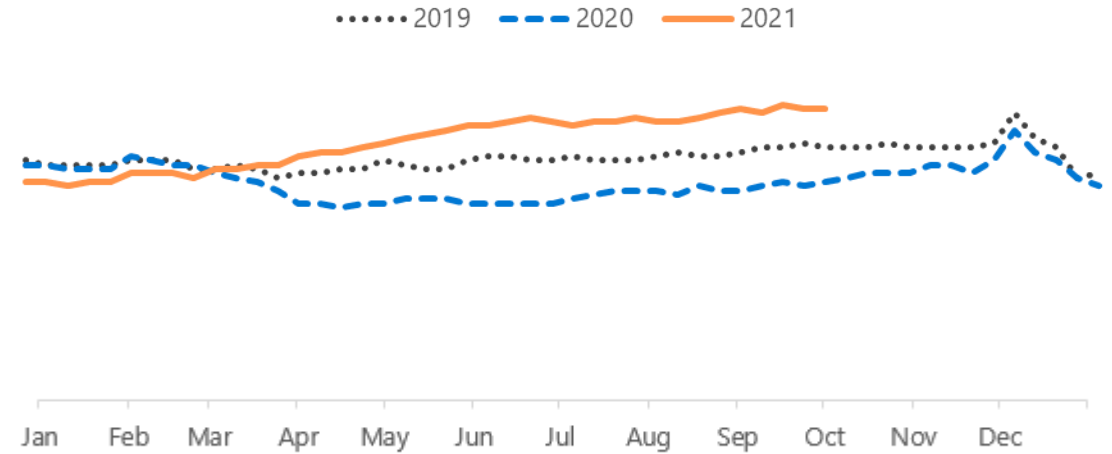
Search volume is trending to be somewhere in between 2020 and pre-COVID (2019).

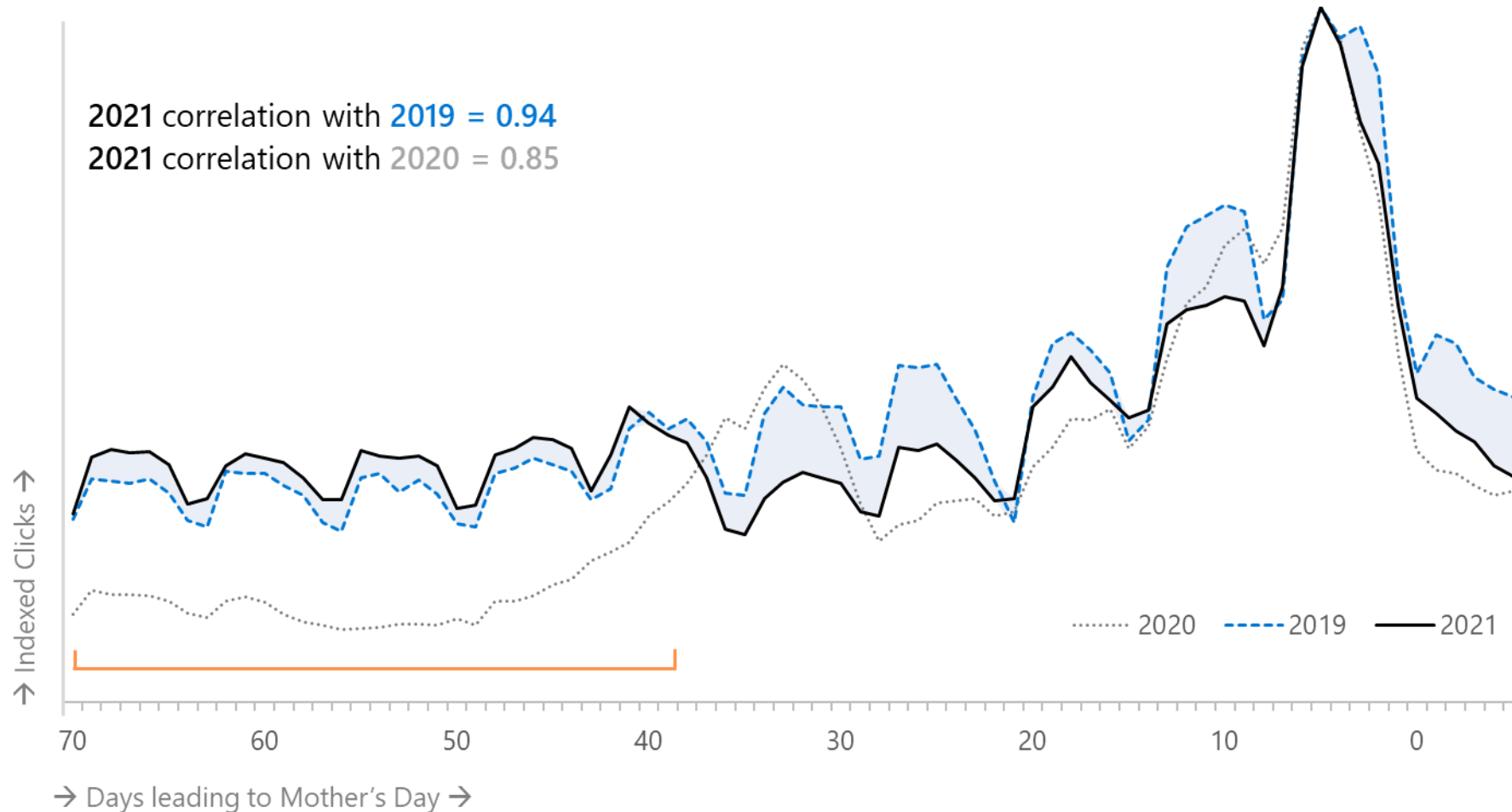Search behavior is shifting, so prepare to be agile this Holiday

Q2 CPCs were +15% vs Q1.
This was due to more clicks on highly competitive queries

Stay on top of new trends with SQRs and manage efficiency on brand by maximizing exact and reducing phrase

3-year comparison for past gift giving holiday shows 2021 will trend more like 2019

Mother's Day was major gifting holiday to occur during pre-PANDEMIC, PANDEMIC CLOSINGS, and RE-OPENING periods

2021 correlation with 2019 = 0.94
2021 correlation with 2020 = 0.85

↑ Indexed Clicks ↑

→ Days leading to Mother's Day →

······· 2020   - - - - 2019   —— 2021

70   60   50   40   30   20   10   0

2021 saw a stronger correlation with 2019 (0.94) suggesting that 2019 performance may be the better proxy when planning for this Holiday season

Additionally, both 2021 and 2019 reported an **early and more consistent ramp** (aligning with first party survey results)

Source: Microsoft Internal 3 years gifting queries indexed by year

Microsoft

Weekdays are growing more important this year

Distribution of retail clicks by day
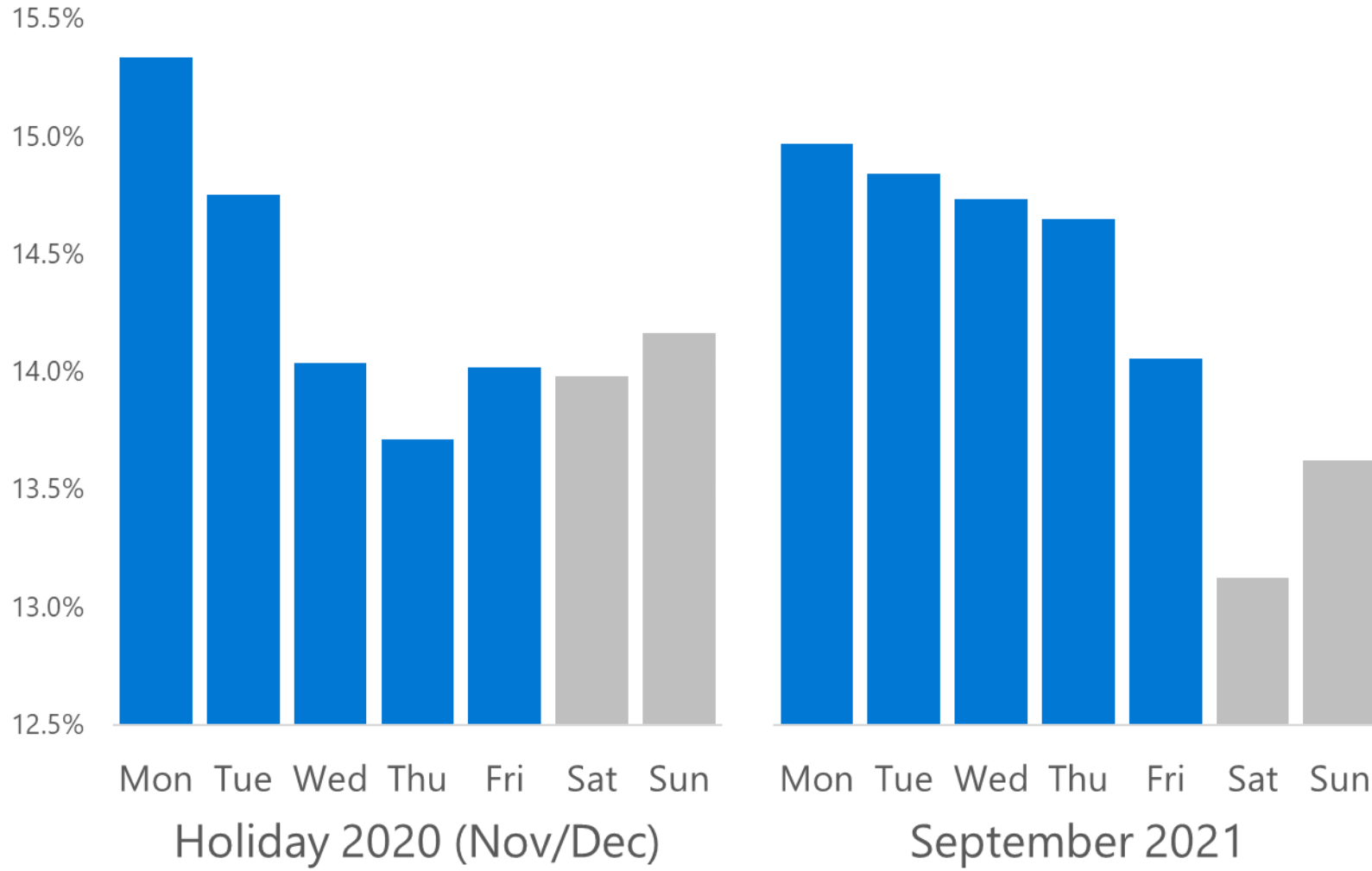
The pandemic caused a significant boost to weekend performance in 2020

This year, weekends/weekdays are less blurred as businesses reopen and users return to work

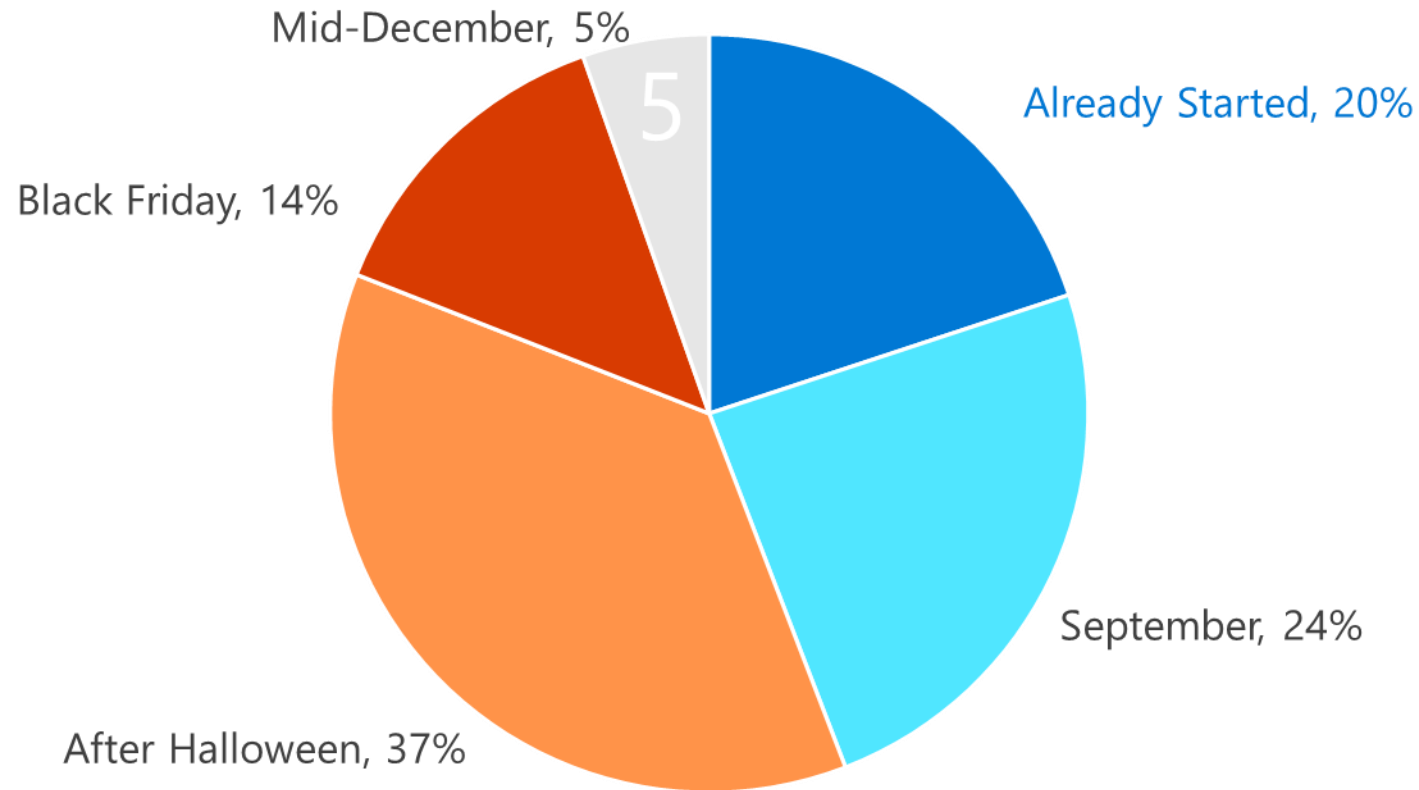Microsoft

Devices splits remain unchanged with large PC focus
Distribution of retail clicks by device

Holiday 2020 (Nov/Dec)	September 2021
5.96%	4.61%
70.11%	71.11%
23.93%	24.28%

■ Mobile ■ PC ■ Tablet
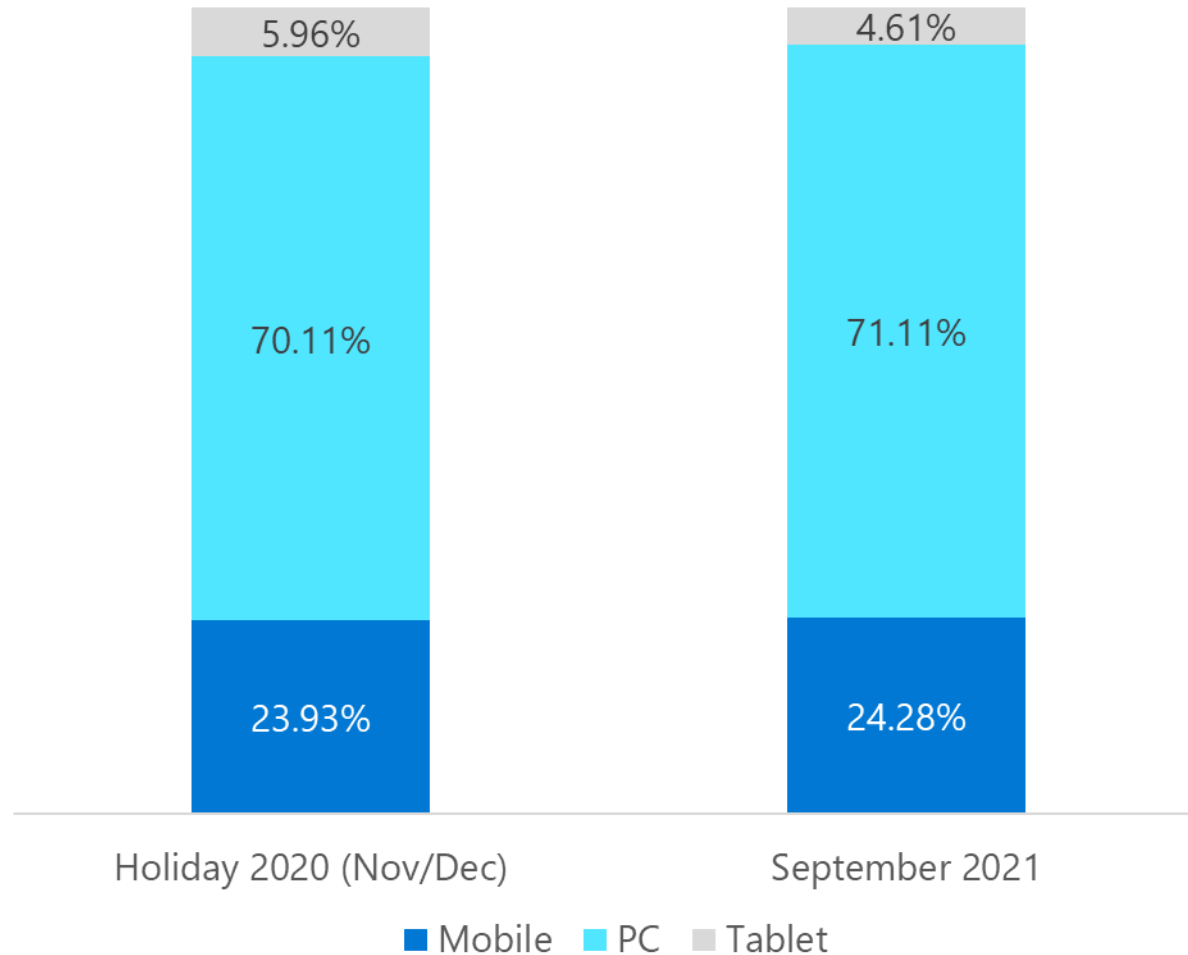
There were very minor changes by device type, so we do not anticipate any large shifts for this coming holiday

Microsoft

For some, holiday shopping is already underway!
% of respondents when asked in Aug, "When do you intend to start your holiday shopping?"

Mid-December, 5%

Already Started, 20%

Black Friday, 14%

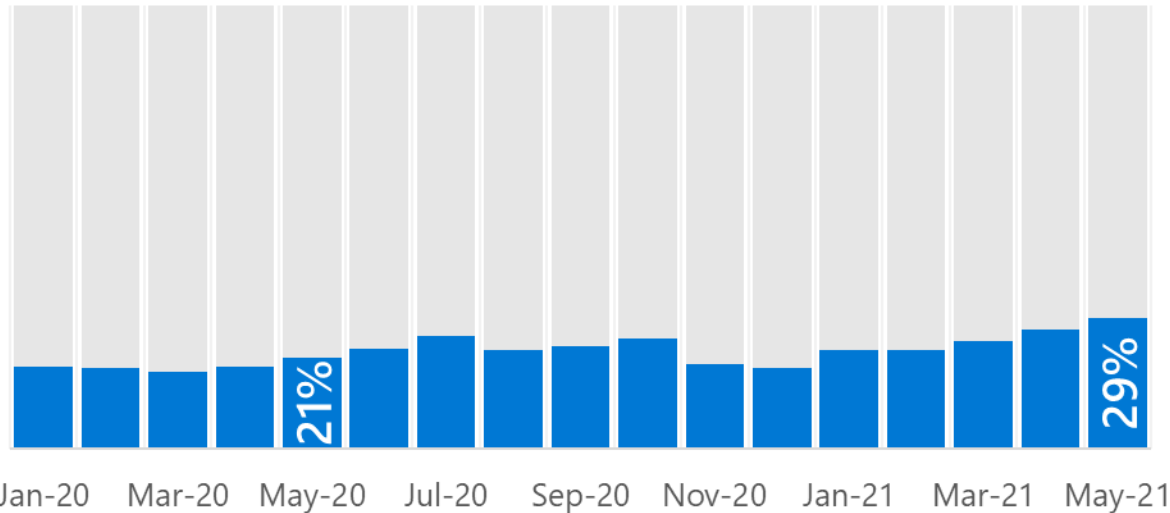September, 24%

After Halloween, 37%

Microsoft

Audience windows suggest a prolonged research phase as conversion contribution and volume from >30-day audiences has grown
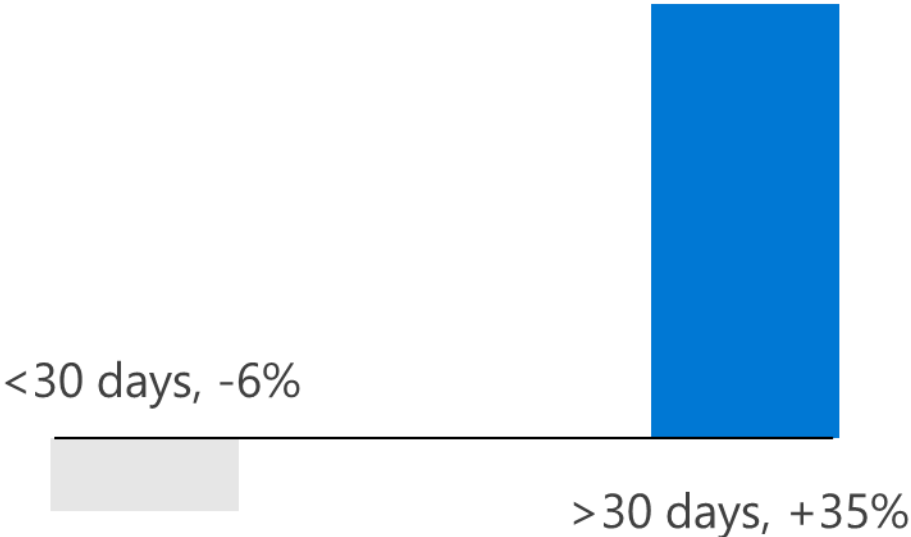% of clicks by conversion window

Conversions Windows by Month
■ >30 Days ■ <30 Days

Jan-20 Mar-20 May-20 Jul-20 Sep-20 Nov-20 Jan-21 Mar-21 May-21

21%

29%

Conversion contribution over time grew from 21% to 29% YoY (May 20' vs. May 21')

YTD YoY Conversions

<30 days, -6%

>30 days, +35%

Although more conversions still stem from <30-days audiences, conversion volume for >30-day audiences grew by 35% YTD YoY (Jan - May)

Microsoft

Be visible early by influencing decision making using rich image-based ads among shoppers who are choosing brands

✅ Multimedia Ads
Capture shoppers' attention with large visual imagery that showcases your brand and offerings
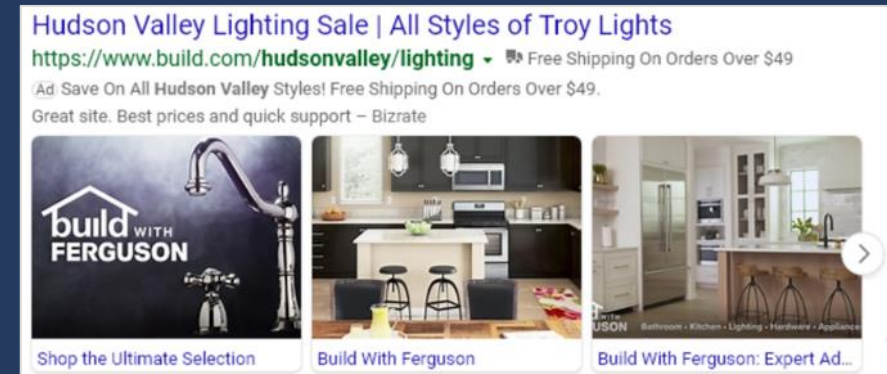

✅ Microsoft Audience Ads
Deliver visually rich ads for shoppers on high-quality traffic from non-search placements

✅ Multi-Image Extensions
Add visual elements to your ads to help them stand out and give shoppers a better idea of your offerings

Microsoft

Search behavior is changing quickly, and advertiser competition is looking to be high this holiday

Gift giving during pre-COVID, CLOSINGS, and RE-OPENING – shows 2019 similarity

Weekends are returning to normal this year

Shoppers will start early and prolong the research phase

Utilize **Dynamic Search Ads** to target new relevant queries and **Responsive Search Ads** to show the most relevant ad for the holiday shoppers

Plan for Holiday shopping by reviewing campaign performance and **lessons learned in 2019** (less volatility)

Modify your **ad delivery, use ad customizers and ad extensions** to adjust your messaging due to the consumer behavior change on the weekends

Increase visibility of your ads and capture attention with visual imagery using **Multimedia Ads, Multi-Image Extensions and Microsoft Audience Ads**
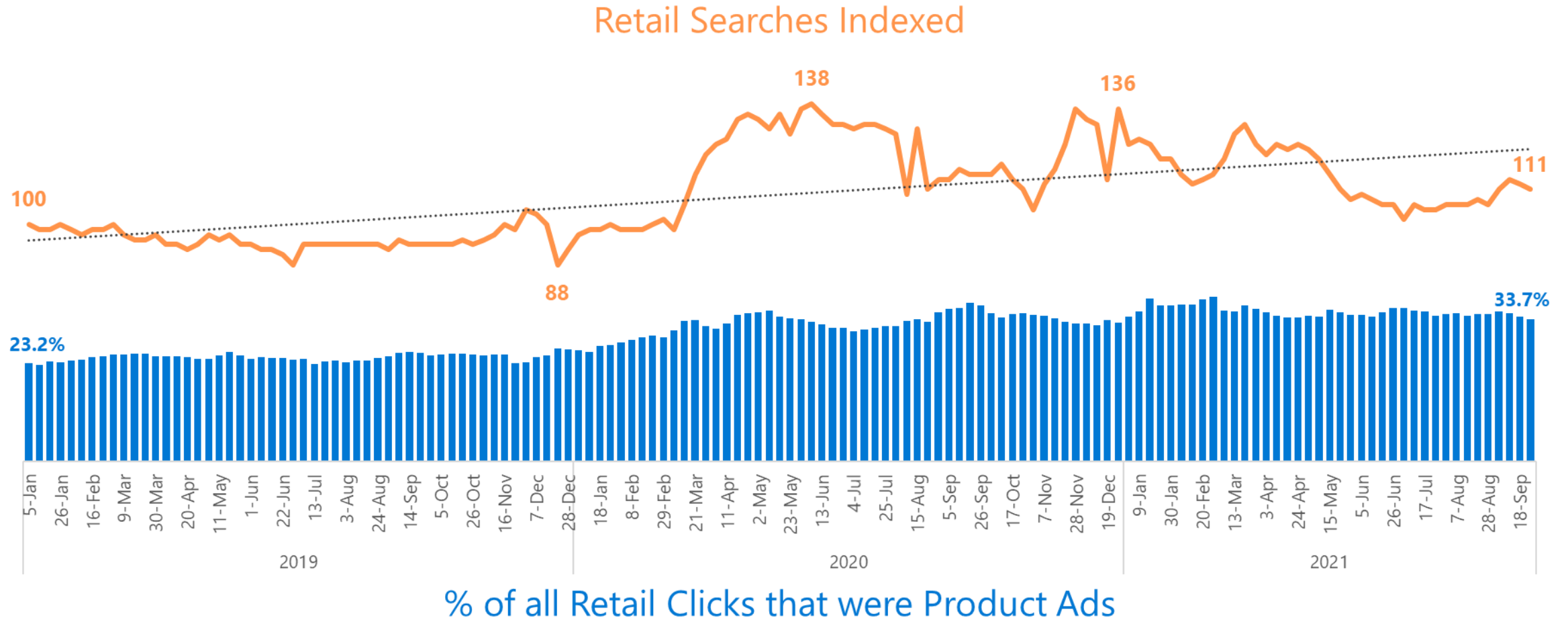
Microsoft

Holiday 2021 Expectations

Microsoft

What's still important?

Microsoft

2021 is a continued transition to Shopping Campaigns
Overall retail clicks were up 9.3% YOY (Nov/Dec 2020)

Retail Searches Indexed

138

136

100

111

88

23.2%

33.7%

% of all Retail Clicks that were Product Ads

5-Jan 26-Jan 16-Feb 9-Mar 30-Mar 20-Apr 11-May 1-Jun 22-Jun 13-Jul 3-Aug 24-Aug 14-Sep 5-Oct 26-Oct 16-Nov 7-Dec 28-Dec 18-Jan 8-Feb 29-Feb 21-Mar 11-Apr 2-May 23-May 13-Jun 4-Jul 25-Jul 15-Aug 5-Sep 26-Sep 17-Oct 7-Nov 28-Nov 19-Dec 9-Jan 30-Jan 20-Feb 13-Mar 3-Apr 24-Apr 15-May 5-Jun 26-Jun 17-Jul 7-Aug 28-Aug 18-Sep

2019   2020   2021

Microsoft

Maximize sales during your most important shopping period using Shopping Campaigns

Top Ten Recommended action items

☑ **1**

Set up your Local Inventory Ads and include Curbside Pickup details

☑ **2**

Use Multimedia Ads to increase visibility of your brand and products.

☑ **3**

Expand your reach and performance onto the Audience Network

☑ **4**

Use audience targeting features to personalize your shopper engagement

☑ **5**

Test auto-bidding strategies

☑ **6**

Use Merchant Promotions and other extensions for Shopping Campaigns

☑ **7**

Utilize Responsive Search Ads to deliver the right message to what the searcher is looking for

☑ **8**

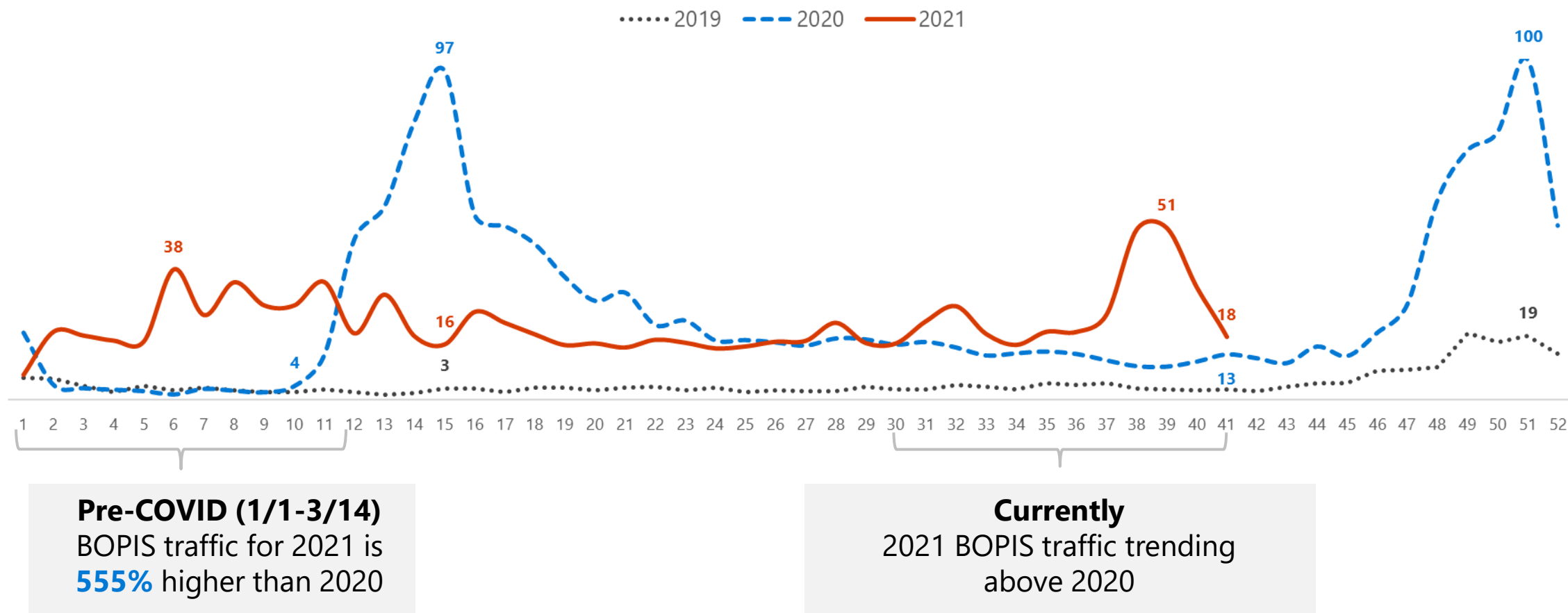Run Dynamic Search Ads to expand your horizons, capture insights and emerging queries

☑ **9**

Improve visibility of your offerings in your text ads by including ad extensions like Filter Link, Action and Promotion.

☑ **10**

Add Syndication to increase your traffic, especially on mobile

Microsoft

Shoppers are likely to utilize BOPIS options as volume for these terms continues to trend higher than pre-COVID levels

"Buy Online Pick-up In Store"-related search traffic (indexed by week)

····· 2019 - - - 2020 —— 2021

97

100

51

38

19

16

4

3

18

13

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52

Pre-COVID (1/1-3/14)
BOPIS traffic for 2021 is
555% higher than 2020

Currently
2021 BOPIS traffic trending
above 2020

Microsoft

Bridge the gap between your online and in-store experience

☑ **Local inventory ads & Curbside pickup badge**

Showcase your products and local retail store information to nearby shoppers
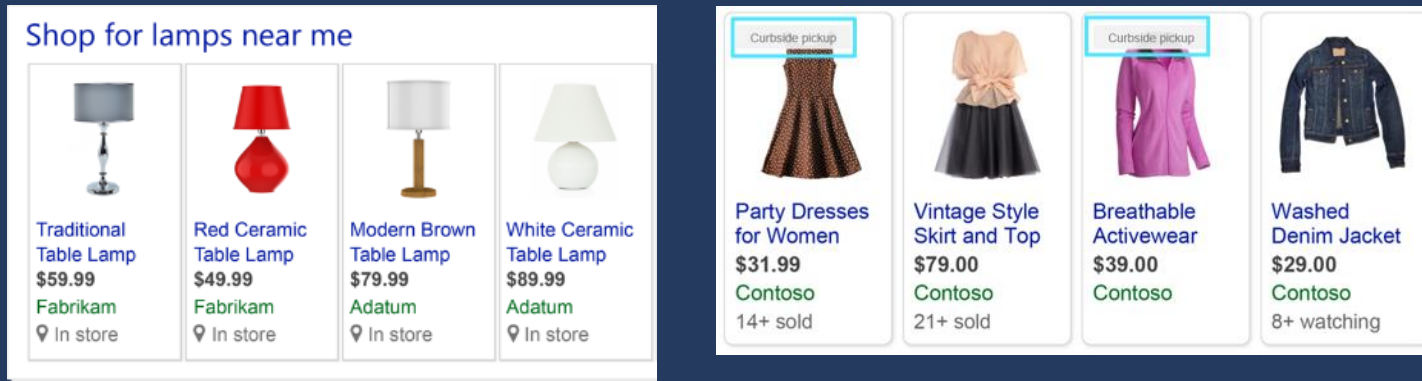
☑ **Store Pickup Badge for Text Ads**

Automatically highlight Curbside pickup and contactless pick-up options to your shoppers

Microsoft

What's changing?

Last year, these categories reported substantial unanticipated growth, therefore we expect a YoY decline this upcoming Holiday

	Holiday 2020	September 2021	
Toys & Games	+34% YoY	-17% YoY	
Household Supplies	+48% YoY	-13% YoY	
Office Furniture	+98% YoY	-66% YoY	
Hobbies	+63% YoY	-2% YoY	Bounced back to near flat YoY
Gift Baskets	+94% YoY	-1% YoY	Bounced back to near flat YoY
Fitness Equipment	+161% YoY	-44% YoY	

Microsoft

Conversely, these categories reported unanticipated declines last year, so we expect YoY growth this Holiday

		Holiday 2020	September 2021	
	Parties & Party Supplies	-39% YoY	+43% YoY	
	Jewelry	-2% YoY	+4% YoY	Growth slowed since June analysis
	Formal Clothing	-55% YoY	+46% YoY	
	Dress Shoes	-26% YoY	+9% YoY	Growth slowed since June analysis
	Bags & Luggage	-1% YoY	+9% YoY	Growth slowed since June analysis

Microsoft

What's new?

Microsoft

Shoppers will continue to search for gift cards even as pandemic concerns wane with ~1 in 4 shoppers considering a purchase

Indexed Searches of queries containing "gift card"

······ 2019   - - - 2020   —— 2021

100
58
53
49
37
32
32
21

Covid (2020) →

1 3 5 7 9 11 13 15 17 19 21 23 25 27 29 31 33 35 37 39 41 43 45 47 49 51

Week Number
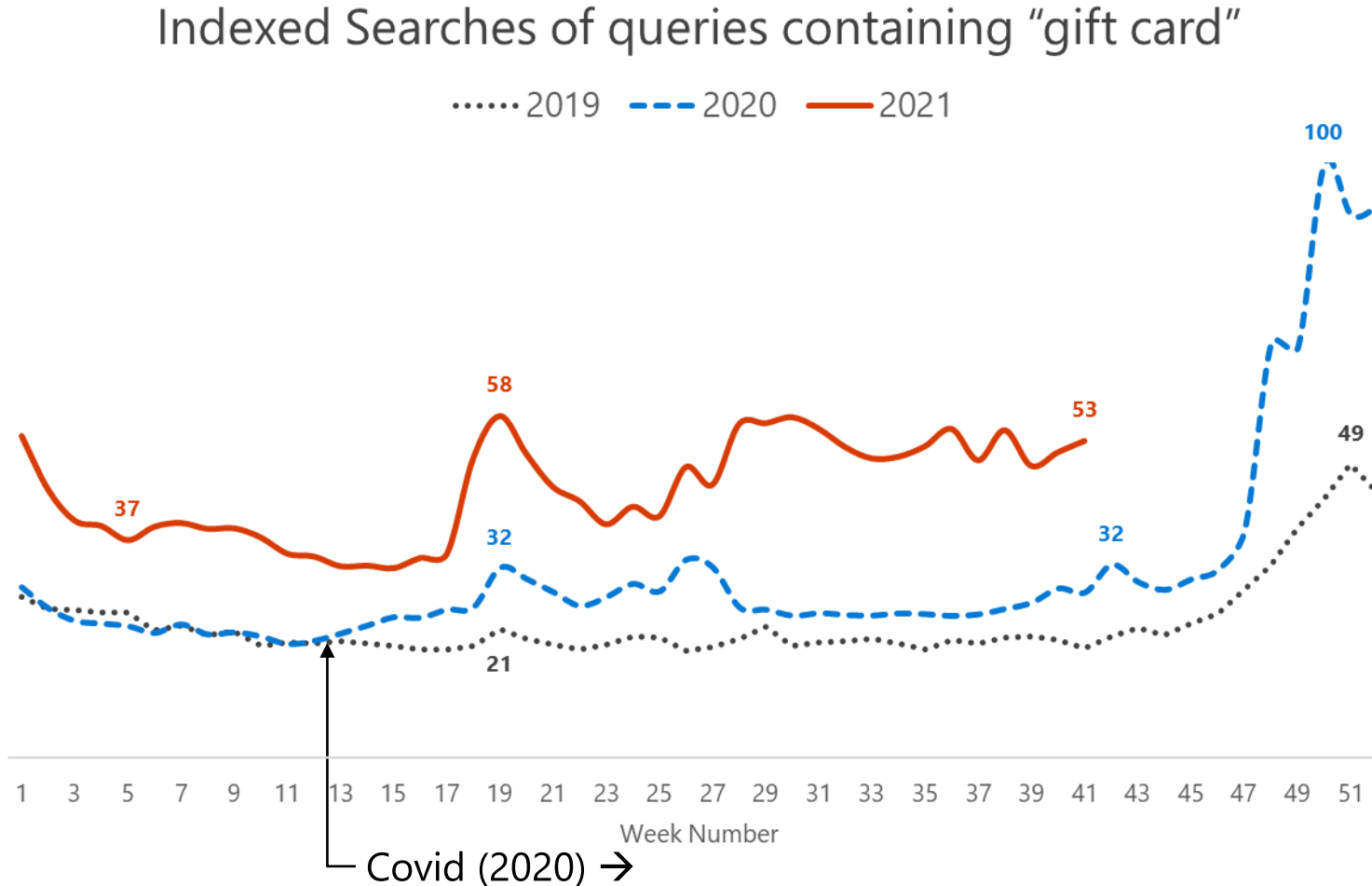
23%
Share of holiday gift shoppers who visited at least 1 gift card purchase page

Microsoft

Shoppers will continue to use Buy Now, Pay Later (BNPL) solutions as they rise in popularity

BNPL Indexed Searches by Week

······· 2019   - - - 2020   —— 2021
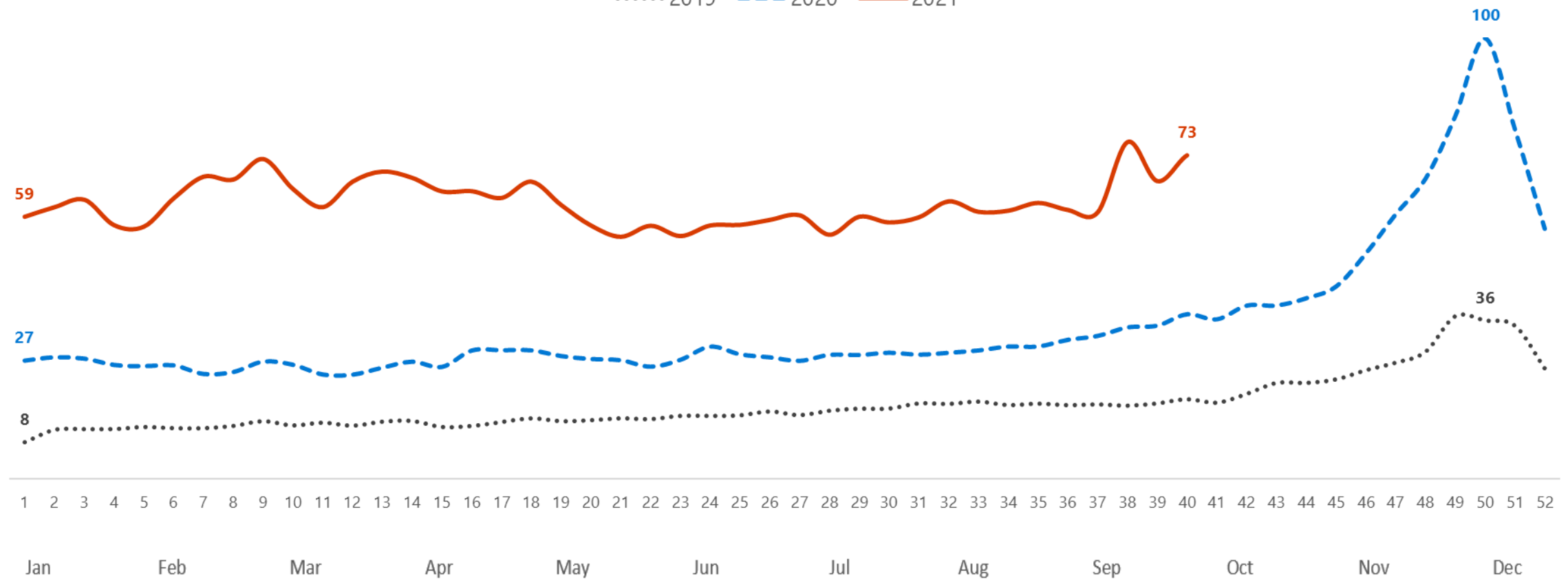
59
27
8
100
73
36

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52

Jan   Feb   Mar   Apr   May   Jun   Jul   Aug   Sep   Oct   Nov   Dec

Microsoft

Shoppers will travel more, so consider gifting Travel-related experiences or gifts this Holiday
Survey responses from Aug 2021 vs. Sept 2020
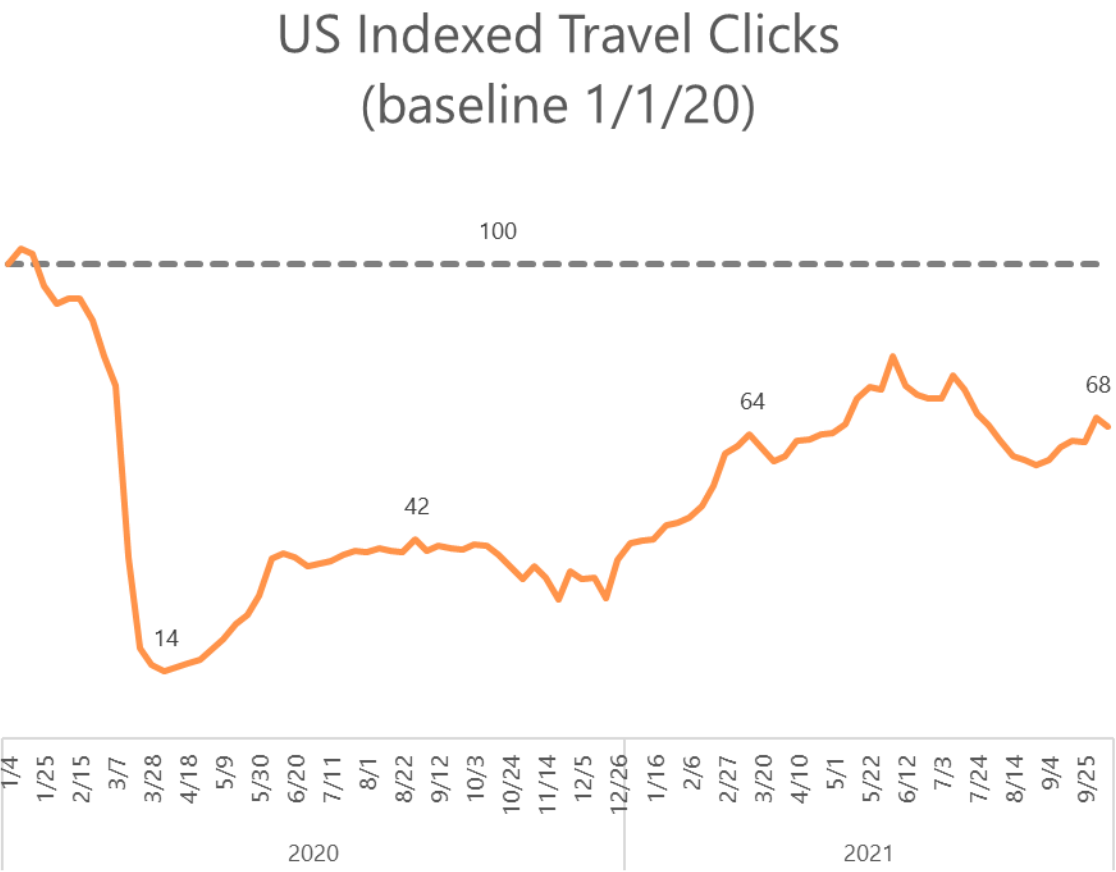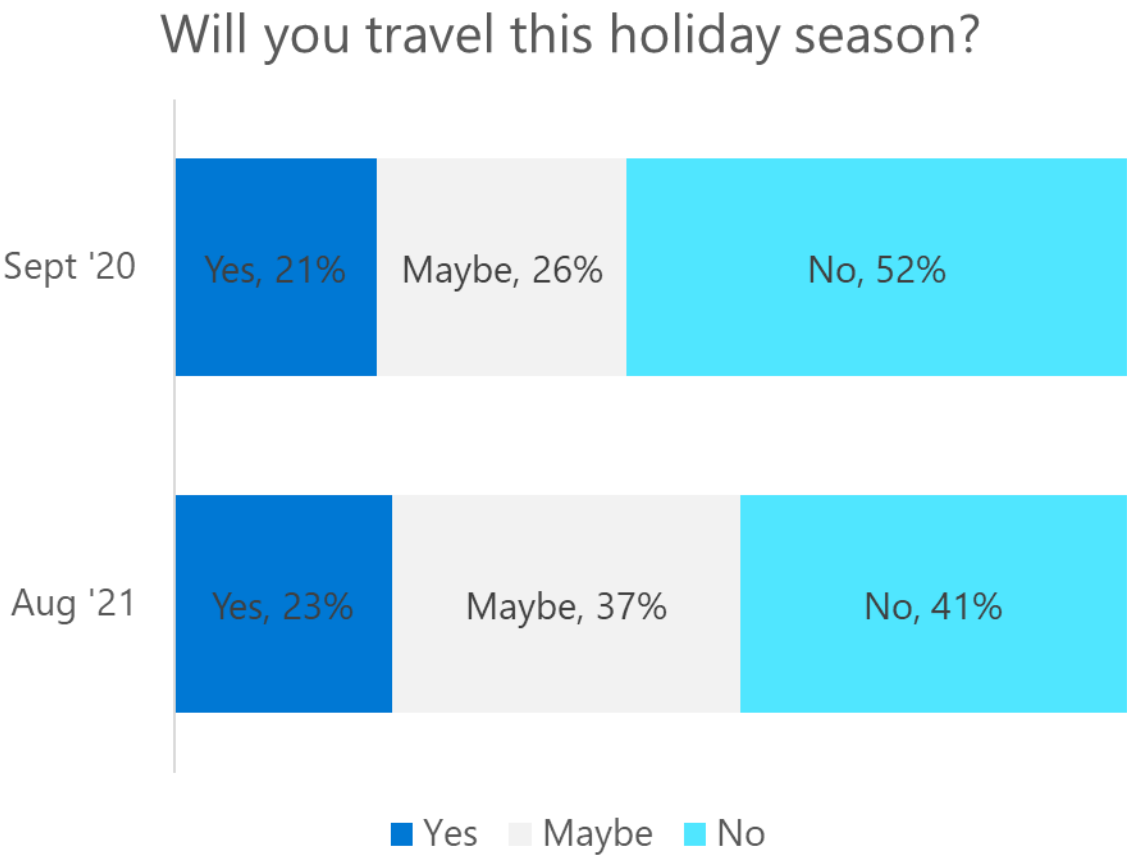
Will you travel this holiday season?

| Sept '20 | Yes, 21% | Maybe, 26% | No, 52% |
| Aug '21 | Yes, 23% | Maybe, 37% | No, 41% |

■ Yes ■ Maybe ■ No

US Indexed Travel Clicks (baseline 1/1/20)

100

64

68

42

14

1/4 1/25 2/15 3/7 3/28 4/18 5/9 5/30 6/20 7/11 8/1 8/22 9/12 10/3 10/24 11/14 12/5 12/26 1/16 2/6 2/27 3/20 4/10 5/1 5/22 6/12 7/3 7/24 8/14 9/4 9/25

2020   2021

■ Microsoft

Shoppers will buy sustainable gifts as average searches have grown 37% per year on average since 2019

Did you buy gifts last holiday that were sustainable/eco-friendly?

Yes
52%

No
48%
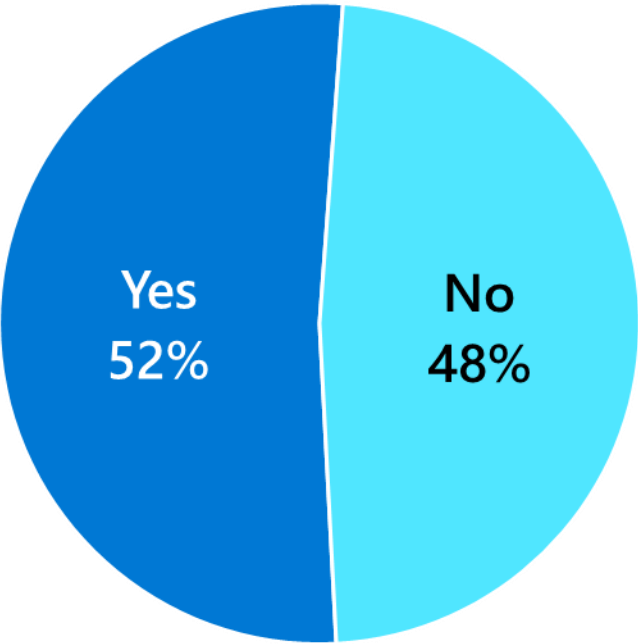
Sustainability-related search traffic index

279

229

100

80

7/1/2019   7/1/2020   7/1/2021

Microsoft

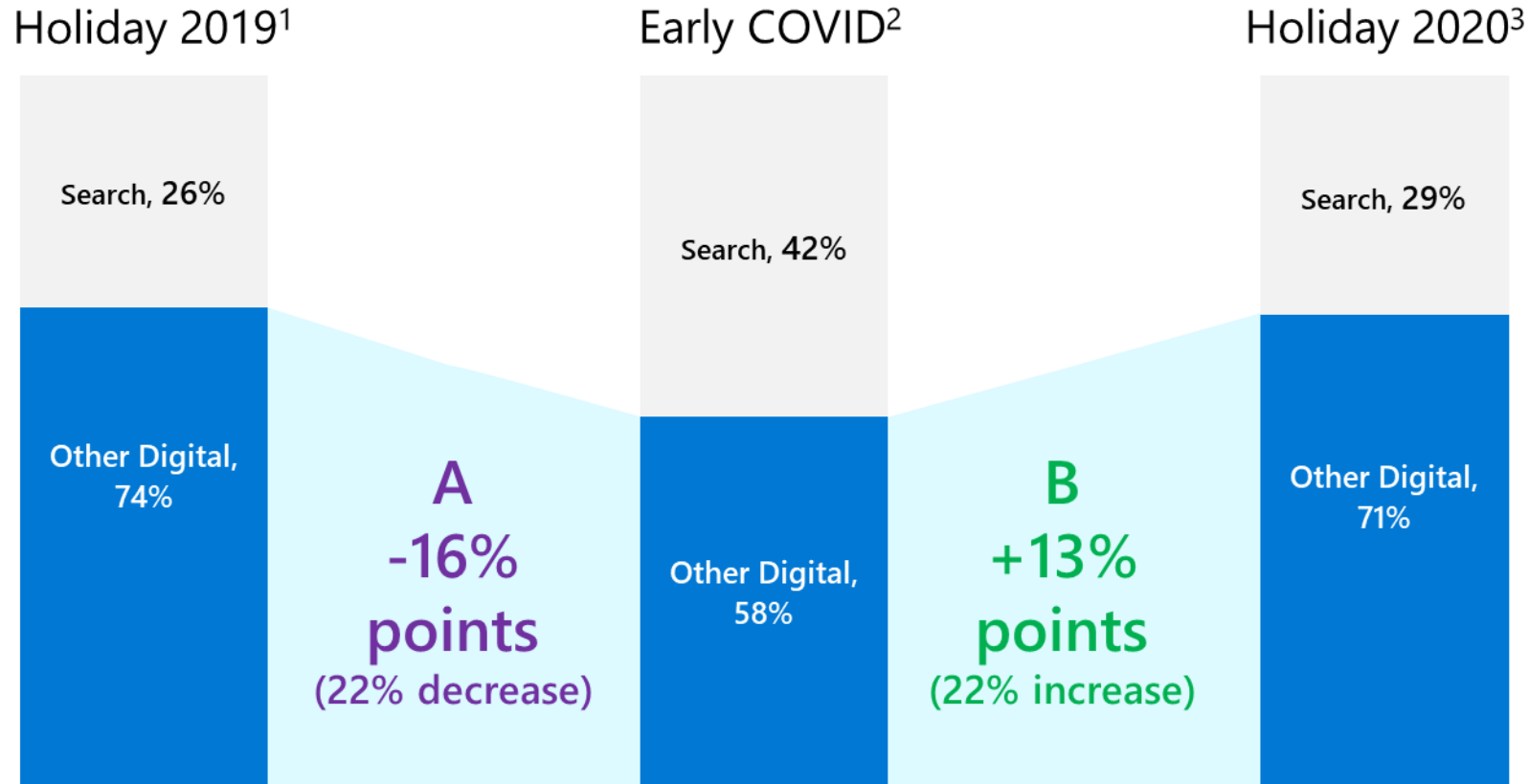|				
Retail clicks are trending more toward Shopping Campaigns	Shoppers will utilize BOPIS & BNPL options as volume for these terms continue to trend higher than pre-COVID levels	Categories that went up or down due to shelter-in-place have reversed trends	Shoppers will continue to search for gift cards even as pandemic concerns wane	Shoppers will buy sustainable gifts as average searches grew 37% per year on average since 2019
Send **full product catalog** with a robust feed including GTIN, MPN, Brand, Shipping cost, Multiple images, and additional product details	Set up your **Local Inventory Ads** and include **Curbside Pickup** details Use **ad extensions** to highlight BNPL options in your text ads (sitelinks, filter link, callout)	Review **budgets and rising and emerging queries recommendations** to accommodate expected changes in traffic	Utilize **Dynamic Search Ads** targeting specific webpages for gift cards Use **ad extensions** to highlight gift card offerings in your text ads (sitelinks, filter link, callout)	Utilize **Dynamic Search Ads** targeting specific webpages for sustainable gifts Use **ad extensions** to highlight sustainable gifts offerings in your text ads (sitelinks, filter link, callout)
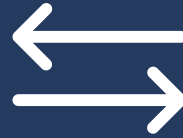
Microsoft

Microsoft Advertising
Audience
Attribution Trends

Microsoft
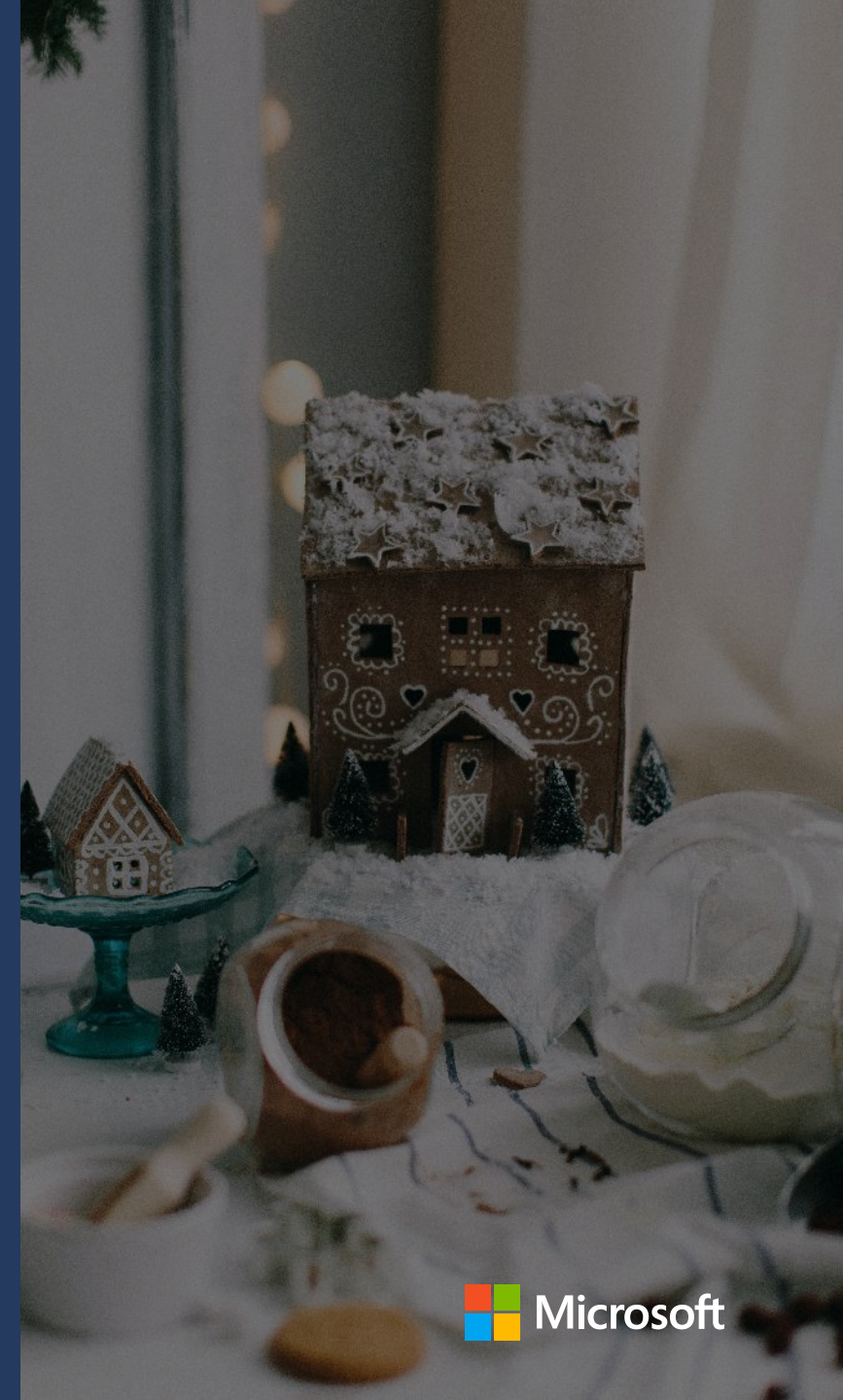
Digital expected to take a bigger share in holiday 2021
Multi-touch attribution - Retail

Holiday 2019[1]

Search, 26%

Other Digital, 74%

A
-16% points
(22% decrease)

Early COVID[2]

Search, 42%

Other Digital, 58%

B
+13% points
(22% increase)

Holiday 2020[3]

Search, 29%

Other Digital, 71%

A. COVID pushed advertiser media mix toward direct-response-skewing Search channel

B. Expect other channels to play an important role during holiday 2021

Microsoft

Native drives users to Search

75.6%

of users have a probability **of engaging with a retailers Search ad** in their next touchpoint after exposure to a Native ad[1].

This **is up from 70.6%** at the start of the pandemic[2].
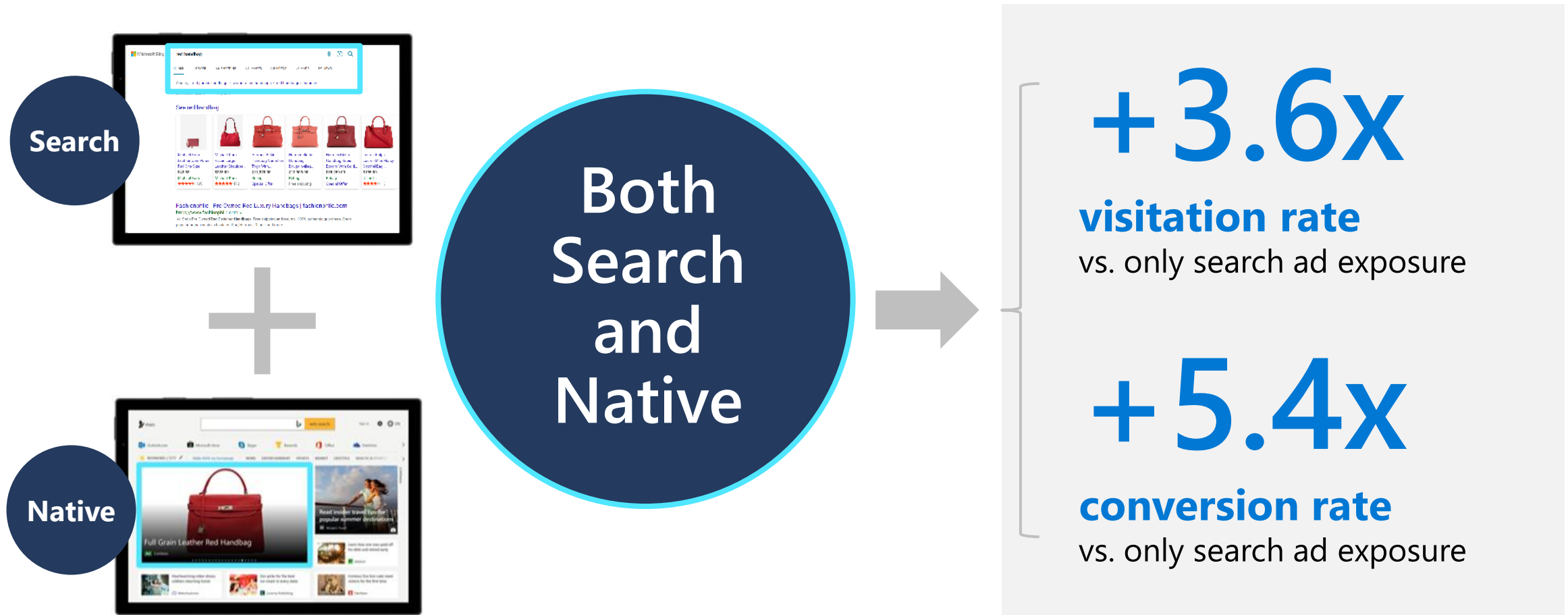
Microsoft

Native as important as Shopping Ads for retail users researching their purchase

Ad served by conversion path position for Retail across the Microsoft Network
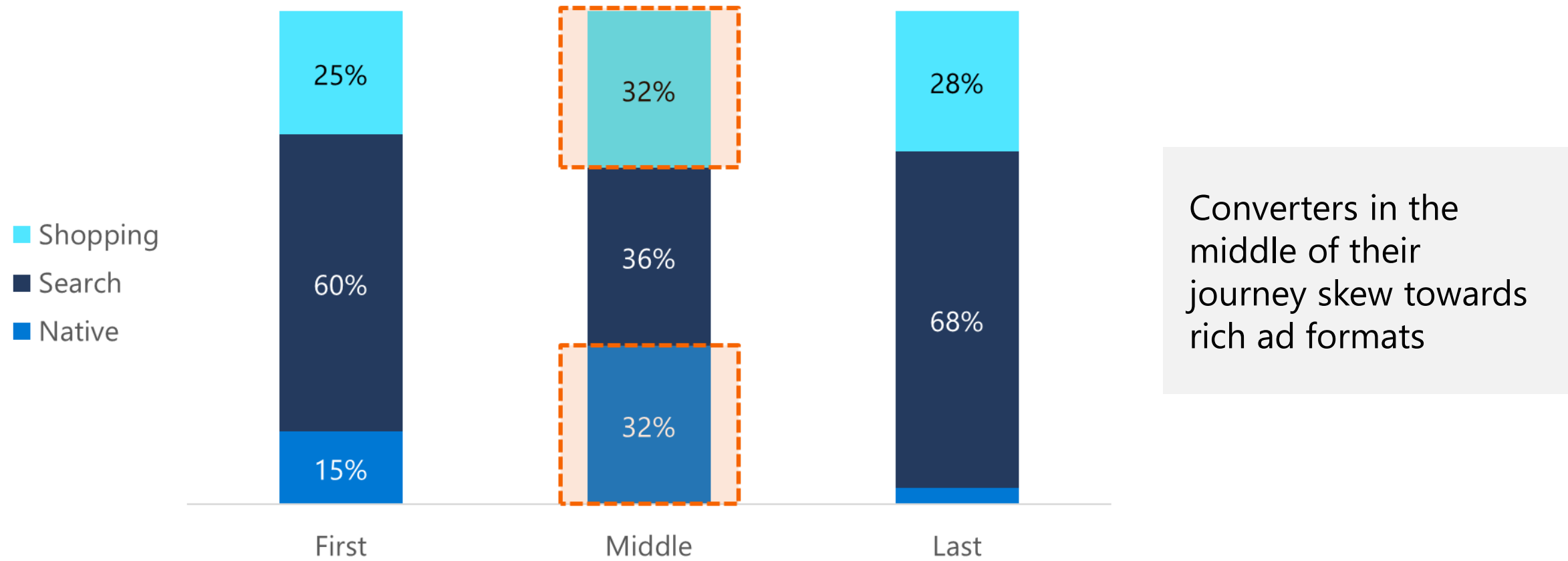
Legend:
- Shopping
- Search
- Native

First:
- 25%
- 60%
- 15%

Middle:
- 32%
- 36%
- 32%

Last:
- 28%
- 68%

Converters in the middle of their journey skew towards rich ad formats

Microsoft

Reaching users across search and native during seasonal periods leads to incremental lift in site visits and conversion rate

Search

+
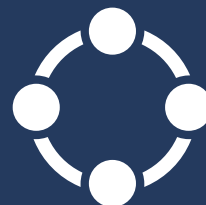
Native

Both Search and Native

+3.6x
visitation rate
vs. only search ad exposure

+5.4x
conversion rate
vs. only search ad exposure

Microsoft

Digital is expected to play a bigger part in holiday 2021

Native drives users to search, and this is even more prominent since start of the pandemic

Converters in the research phase (mid-funnel) are influenced by Native as much as Shopping Ads on the Microsoft Network

Maximize your performance by reaching BOTH Search and Native to drive incremental site visits and conversions

- Ensure seasonal campaigns are live across **Microsoft Search Network and Microsoft Audience Network** (both image-based and feed-based campaigns).
- **Create a remarketing audience of users** who clicked on an MSAN ad. Remarket to MSAN clickers on search and target similar audiences of MSAN clickers on native.
- **Leverage dynamic remarketing** for increased performance.

Microsoft

The value of Microsoft Advertising

Microsoft

Reaching audiences across
work and life

Microsoft News

WORK LIFE

PERSONAL LIFE

1.3 billion Windows Devices

Microsoft Advertising

Reach audiences where they browse, email, and search
% of user overlap between Microsoft's properties and Bing

70%
Microsoft News

48%
Outlook

73%
Edge

Get more value out of every interaction

Relevant reach

Intelligent experiences

Trusted & open digital platform

■ Microsoft

Windows audience

Microsoft Search Network has
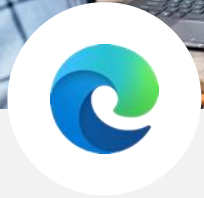**47% share of searches**
on Windows devices.

Windows users spend
120% more online
than the average internet user
(BPI 220).

Windows users
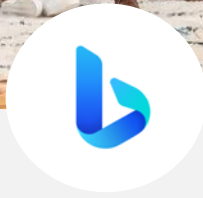**have a greater propensity
to purchase online.**

Windows users are
**more likely to engage
with advertising**
to discover new products.

Reaching over 1 billion people globally

600M
Devices with Edge installed[1]
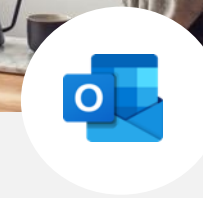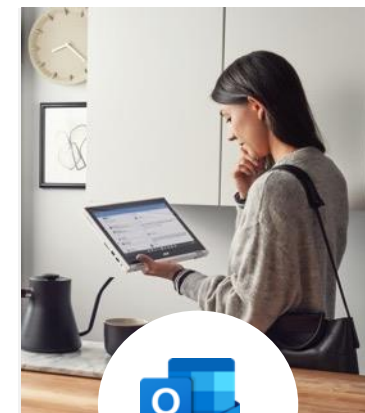
719M
Unique searchers[2]

16BN
Global monthly searches[2]

484M
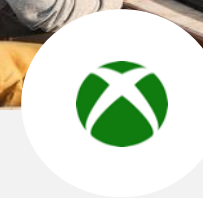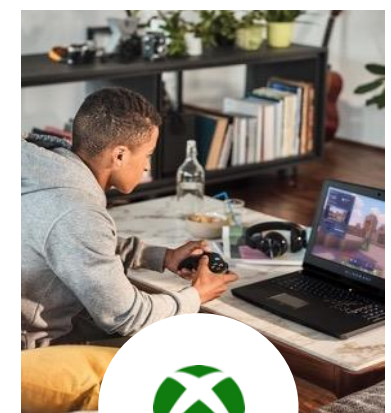Monthly unique visitors[2]

20B
Monthly page views

108M
Monthly unique visitors[2]

44M
Outlook active U.S. users[2]

69M
Xbox live monthly unique users[2]

100 Hours
Average time spent on Xbox per month [1]

Microsoft

Microsoft Advertising
Network

Microsoft

Microsoft Search Network

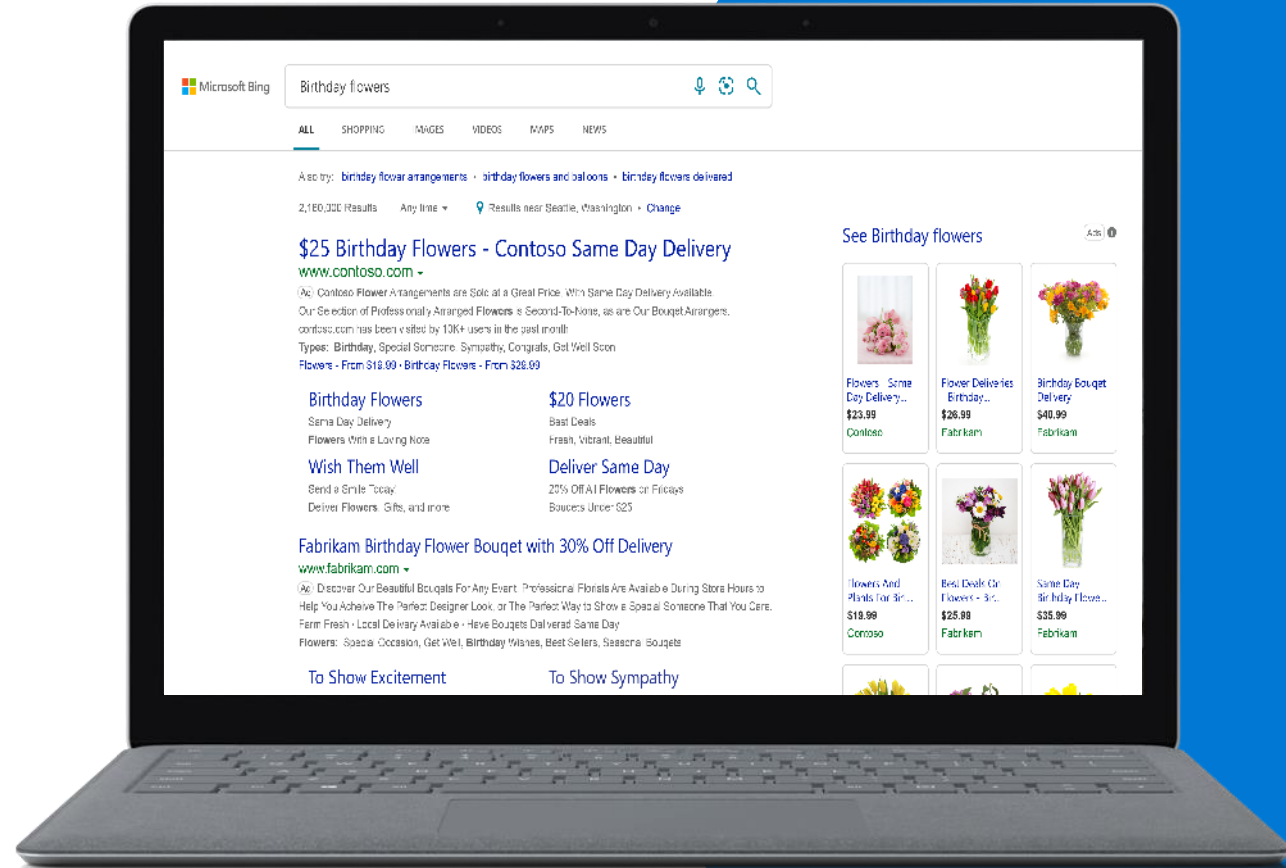**140 million**
unique monthly searchers

8.5 billion
monthly searches

37%
PC market share in the U.S.

47%
share of searches on Windows devices

Extend reach and volume

Managed partners, carefully vetted to bring you quality traffic

Owned and operated		Search partners	
MICROSOFT ADVERTISING PROPERTIES EXAMPLES	VERIZON MEDIA PROPERTIES EXAMPLES	MICROSOFT ADVERTISING SEARCH PARTNERS EXAMPLES	VERIZON MEDIA SEARCH PARTNERS EXAMPLES
Bing Microsoft Edge Windows Skype msn Cortana Outlook	YAHOO! Aol.	DuckDuckGo CBS Interactive Health N Well	ECOSIA OceanHero THE WALL STREET JOURNAL Forbes WebMD Dictionary.com

46

Growing on a global scale
Microsoft Search Network PC market share

Worldwide[1]

- 🔍 **14%** Market share
- 🥧 **15B** Monthly searches
- 🏢 **100** Markets

North America

United States

- 🔍 **38%** Market share
- 🥧 **7B** Monthly searches

Canada

- 🔍 **25%** Market share
- 🥧 **396M** Monthly searches

Latin America

- 🔍 **7%** Market share
- 🥧 **800M** Monthly searches

- 🏢 **7 Markets:** Argentina, Colombia, Brazil, Mexico, Chile, Peru, Venezuela

Europe

- 🔍 **11%** Market share
- 🥧 **2B** Monthly searches

FINLAND		NORWAY	
🥧 7%	🔍 25M	🥧 17%	🔍 20M
FRANCE		**SPAIN**	
🥧 16%	🔍 393M	🥧 11%	🔍 271M
GERMANY		**SWEDEN**	
🥧 25%	🔍 417M	🥧 14%	🔍 40M
IRELAND		**SWITZERLAND**	
🥧 9%	🔍 21M	🥧 13%	🔍 35M
ITALY		**UNITED KINGDOM**	
🥧 11%	🔍 306M	🥧 21%	🔍 441M

Asia Pacific

- 🔍 **6%** Market share
- 🥧 **2B** Monthly searches

- 🏢 **11 Markets:** Australia, India, China, New Zealand, Hong Kong, Taiwan, Indonesia, Malaysia, Philippines, Singapore, Vietnam

Microsoft Search Network audience

50/50

men and women

Over

half

are under the
age of 45

33%

graduated
from college

1/3

have a household
income of $85K+

Microsoft

Microsoft Audience Network

253 million
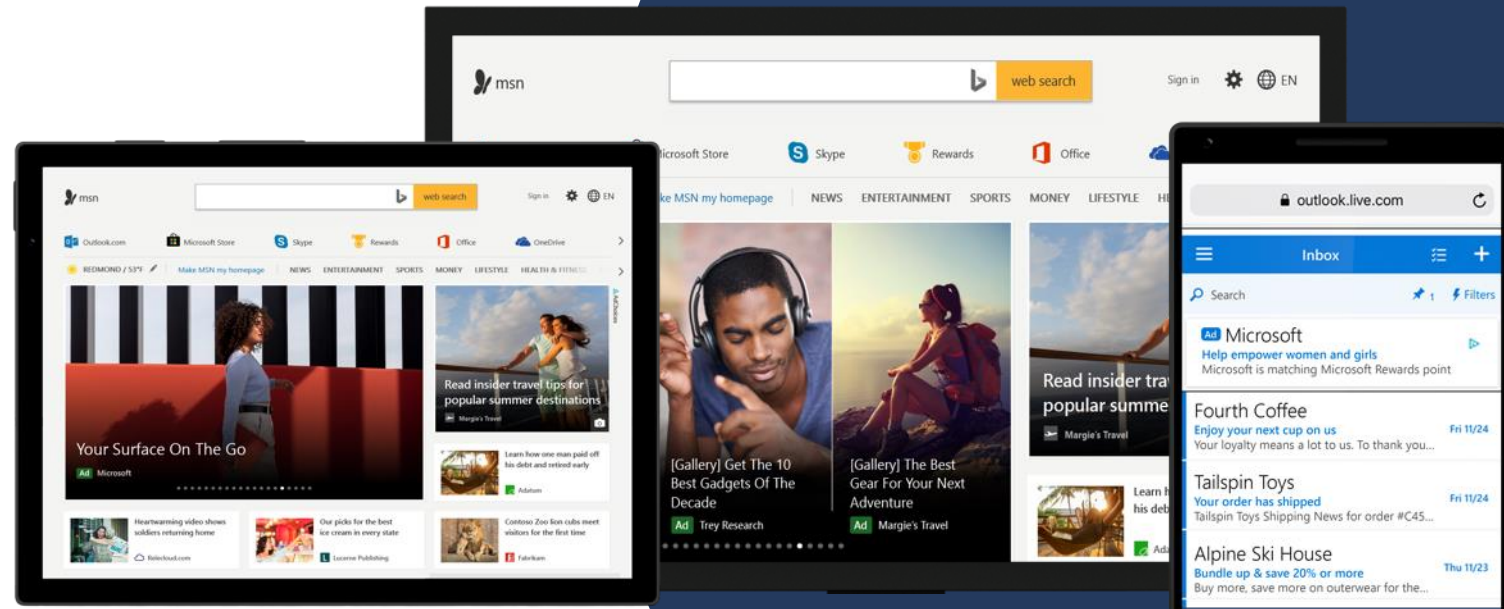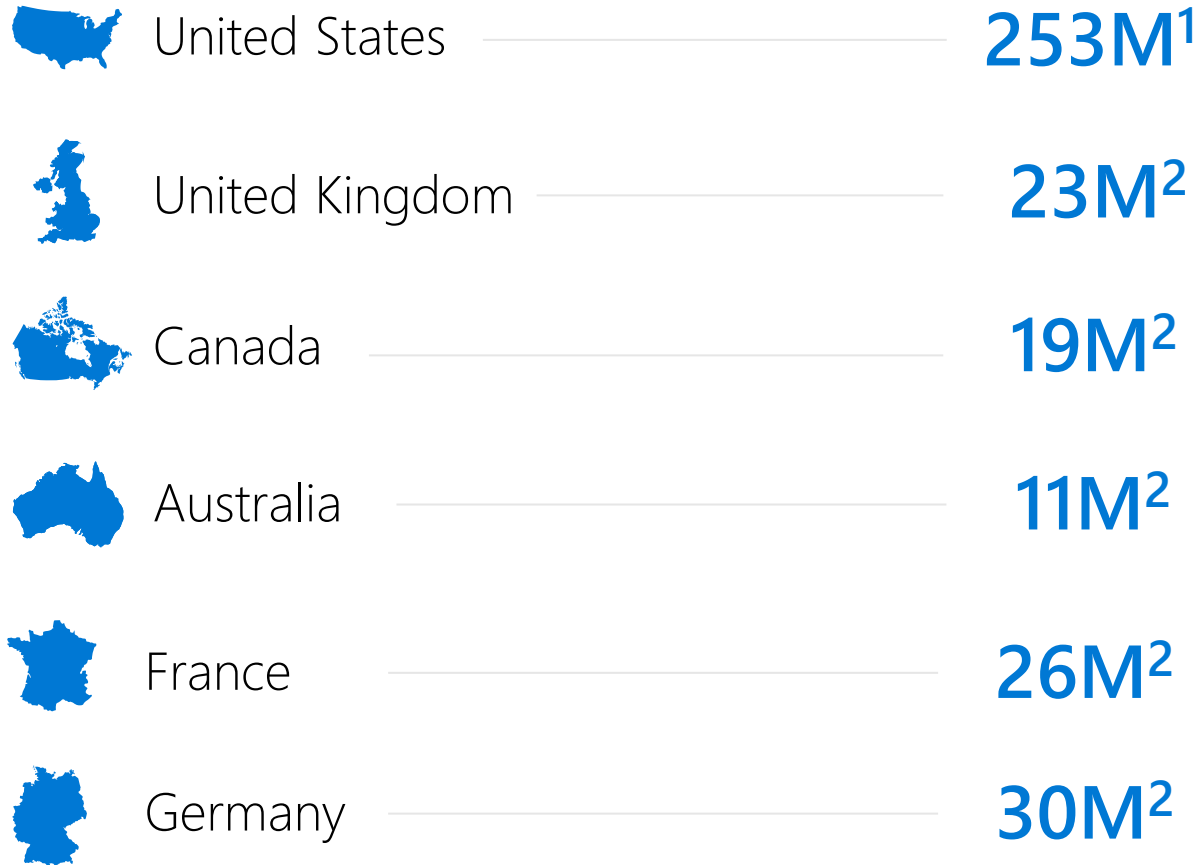unique monthly users[1]

Premium native placements

Brand-safe experiences

Highly contextual ad placements

The Microsoft Audience Network connects you with millions of potential customers

United States —————————————— 253M[1]

United Kingdom —————————————— 23M[2]

Canada —————————————— 19M[2]

Australia —————————————— 11M[2]

France —————————————— 26M[2]

Germany —————————————— 30M[2]

Holiday Checklist

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THE HOLIDAY COUNTDOWN

Checklist

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BE THERE AHEAD OF TIME

☑ Review last season's campaigns for successes and lessons learned

☑ Set budgets to accommodate increases in traffic

☑ Upload campaigns early and add Merchant Promotions to make the most of your seasonal deals.

☑ Double-check to make sure all relevant accounts and campaigns are active

☑ Follow up on any rejected ads

☑ Add new, relevant and emerging keywords

☑ Be visible early by influencing decision making using rich image-based ads among shoppers who are choosing brands (Multimedia Ads (new), Multi-Image Extensions and Microsoft Audience Ads)

FIND APPROACHES FOR A BETTER ROI

☑ Test In-market Audiences directly and indirectly related to your industry

☑ Use remarketing, dynamic remarketing and similar audiences to boost your ad performance

☑ Use the right combination of ad extensions (Action, Promotion, Filter Link (new) and others)

☑ Emphasize the metrics you care about most with auto bidding strategies to deliver ROI like Target ROAS or Target CPA.

☑ Try multi-touch campaigns through search and native utilizing the power of the Microsoft Audience Network to boost your reach and ROI.

☑ Opt-in to search partner sites to expand your reach

OPTIMIZE KEYWORDS, ADS AND BIDS

☑ Use long-tail brand terms and have Dynamic Search Ads to discover gaps in your keyword lists.

☑ Test ad copy variations or use Responsive Search Ads to test up to 40,000 different ad permutations for you.

☑ Plan your budgets for periods of high CPC and consider shared budgets for collections of smaller campaigns to efficiently spend budget where there is demand.

☑ Apply auto-bidding to maximize profitability

☑ Set up Automated Rules to schedule and automate your top campaign management tasks on a weekly, or even daily, basis for invaluable time savings and efficiency gains

OPTIMIZE SHOPPING CAMPAIGNS

☑ Automate part of your product offerings with Smart Shopping Campaigns (new) to target customers who are more likely to convert at higher revenue values

☑ Refresh your product feed daily

☑ Go beyond the required attributes and populate your feed with as many recommended attributes as possible for each product offer

☑ Use the SKU column and unique identifiers to help differentiate product titles and descriptions that may only differ in size, color, etc. All unique identifiers should be consistent between data feeds

☑ Include specific brands, product types or individual products that align with your business goals

Summary

Competition is high this year driven by changing behavior and increased advertiser demand

Shoppers have started early this year – as seen in both survey and search data

Gift Cards, BOPIS (Buy-Online and Pick-up In-Store), BNPL (Buy Now Pay Later), and Sustainability will be key trends this Holiday

Categories that rose or fell due to shelter-in-place have reversed trends

Advertisers see incremental lift in site visits and conversion rate when reaching users across both Search and Native

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