It’s going to be a digital-first holiday season

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

- 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.

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:
Retail is trending toward a very competitive Holiday season
Snapshot of US Retail market trends with year-to-date (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 2019.

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

Second quarter cost per clicks (CPCs) were +15% vs first quarter.

This was due to more clicks on highly competitive queries

Microsoft Advertising; Bing Internal Data of 2019 – 2021
For some, holiday shopping is already underway!

% of respondents when asked in August, “When do you intend to start your holiday shopping?”

- Already Started, 20%
- September, 24%
- After Halloween, 37%
- Black Friday, 14%
- Mid-December, 5%

Microsoft Holiday Gifting Survey Aug 2021, n=1023
2021 is a continued transition to Shopping Campaigns
Overall retail clicks were up 9.3% year-over-year (YOY) (November/December 2020)

Retail searches indexed

% of all Retail clicks that were Product Ads
Shoppers are likely to utilize Buy Online Pick-up In Store (BOPIS) options

BOPIS related search traffic (indexed by week)

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

Currently
2021 BOPIS traffic trending above 2020

Microsoft Advertising Internal Data, 2019- Sep 2021, queries containing top BOPIS-related tokens
We expect a **YoY decline** this upcoming Holiday for these categories

<table>
<thead>
<tr>
<th>Category</th>
<th>Holiday 2020</th>
<th>September 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toys &amp; Games</td>
<td>+34% YoY</td>
<td>-17% YoY</td>
</tr>
<tr>
<td>Household Supplies</td>
<td>+48% YoY</td>
<td>-13% YoY</td>
</tr>
<tr>
<td>Office Furniture</td>
<td>+98% YoY</td>
<td>-66% YoY</td>
</tr>
<tr>
<td>Hobbies</td>
<td>+63% YoY</td>
<td>-2% YoY</td>
</tr>
<tr>
<td>Gift Baskets</td>
<td>+94% YoY</td>
<td>-1% YoY</td>
</tr>
<tr>
<td>Fitness Equipment</td>
<td>+161% YoY</td>
<td>-44% YoY</td>
</tr>
</tbody>
</table>

Bounced back to near flat YoY

Microsoft Advertising; Bing Internal Data of 2019 – 2020, Nov 15 – Dec 31, September 2021
We expect **YoY growth this Holiday** for these categories

<table>
<thead>
<tr>
<th>Category</th>
<th>Holiday 2020</th>
<th>September 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parties &amp; Party Supplies</td>
<td>-39% YoY</td>
<td>+43% YoY</td>
</tr>
<tr>
<td>Jewelry</td>
<td>-2% YoY</td>
<td>+4% YoY</td>
</tr>
<tr>
<td>Formal Clothing</td>
<td>-55% YoY</td>
<td>+46% YoY</td>
</tr>
<tr>
<td>Dress Shoes</td>
<td>-26% YoY</td>
<td>+9% YoY</td>
</tr>
<tr>
<td>Bags &amp; Luggage</td>
<td>-1% YoY</td>
<td>+9% YoY</td>
</tr>
</tbody>
</table>

Growth slowed since June analysis

Microsoft Advertising; Bing Internal Data of 2019 – 2020, Nov 15 – Dec 31, September 2021
~1 in 4 shoppers are considering a gift card purchase

Source: Microsoft internal data, Jan 2019 – Sept 2021
Shoppers will continue to use Buy Now, Pay Later (BNPL) solutions

BNPL indexed searches by week

Microsoft Advertising Internal Data, 2019-Sep 2021, queries containing top BNPL-related tokens
Shoppers will buy sustainable gifts as average searches have increased

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

- Yes 52%
- No 48%

Sustainability-related search traffic index

Microsoft Holiday Gifting Survey May 2021, n=1030
Microsoft Advertising Internal Data, 2019-2021, queries containing top Sustainability-related tokens, 14-day moving avg
Microsoft Advertising Audience
Attribution Trends
Digital expected to take a bigger share in holiday 2021
Multi-touch attribution - Retail

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

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

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

Ad served by conversion path position for Retail across the Microsoft Network

- **First**: 25% Shopping, 60% Search, 15% Native
- **Middle**: 32% Shopping, 36% Search, 32% Native
- **Last**: 28% Shopping, 68% Search, 6% Native

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

Source: Microsoft internal data; Microsoft Advertising query path data for US Retailers, Sep 2020 – Dec 2020, 500K total unique paths
Reaching users across search and native during seasonal periods leads to incremental lift in site visits and conversion rate

Source: Microsoft internal data; results may vary for each advertiser based on campaign settings, targeted audiences, and other factors. Lift metrics represent an average of all advertisers with lift studies done during peak seasonal periods (thru May 2021). These advertisers may be a non-representative sample of all advertisers on the marketplace. Lift measured between exposed users and a control group of eligible unexposed users, with lift represented on a per-user basis. Average user count per advertiser study = 3.5M
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.
To get actionable data, insights and best practices to help make decisions and grow your business, visit MicrosoftAdvertising.com/Insights
Microsoft Advertising. Great relationships start here.