Holiday 2020 Insights

Your pandemic guide to holiday sales success

Microsoft Advertising. Intelligent connections.
COVID-19 has changed consumer search behavior and shaken up the economy. We’re navigating uncharted waters, making this year’s holiday retail season seem uncertain.

Let Microsoft Advertising help you plan your campaign strategy and plot a course to holiday sales success.

Sign up with Microsoft Advertising and contact our specialists to get help setting up your new account. We’ll also help you craft a winning holiday ad campaign that’s customized to your business.

Let’s make the 2020 holiday season your best yet, together.
COVID-19 trends

COVID-19 has driven consumers online and permanently shifted their behavior.
The COVID-19 effect

COVID-19 has driven consumers online. A huge spike in search growth occurred as consumers across the U.S. turned to search as a lifeline in the face of COVID-19 restrictions. The result? More people are working, shopping and learning from home. They also have more choices in the digital landscape than ever before.

This, coupled with other lifestyle shifts, has led to an 18% growth in searches on tablets while desktop searches are up 8% when compared with pre-COVID-19 levels. More people are also using search on the weekend, leading to a 12% increase in volume. That’s two times the rate of the weekday search volume growth.

Consumers are also searching during nonbusiness hours, specifically between 5 p.m. and 5 a.m., at a rate twice that of regular business hours.

U.S. retail search volume and cost per click (CPC), indexed

Desktop volume share and tablet volume share continue to grow, respectively, at 8% and 18% on average.

Weekend volume grew by 12% — 2x that of weekday volume growth.

Nonbusiness hours volume (5 p.m.–5 a.m.) increased by 11%. That’s 2x the rate of volume growth during regular business hours.

COVID-19 trends

The shift to e-commerce is here to stay

COVID-19 brought e-commerce to the forefront. Consumers were forced to buy necessities and other retail items online due to store closures and safety concerns. Across the world, this shift pushed consumers online. Analysts predict a nearly 6% increase in digital buyers ages 45 and older in the U.S.,\(^1\) with nearly 150 million new buyers worldwide buying online in 2020.\(^2\)

And what is their search vehicle of choice? Desktops. Consumers turned to desktops at the start of the pandemic and are continuing to rely on them for their search needs. In fact, nearly 70% of e-commerce sales in Q1 2020 were on desktops.\(^2\)

Online shopping is expected to become a mainstay for consumers as they adapt to this new way of buying: 31% of U.S. consumers ages 16 to 64 say they will shop online more frequently after COVID-19.\(^1\) Users have become reliant on desktops, a trend that’s expected to continue too.\(^1\)

Tip: Make sure your website is optimized for search, and that your advertising strategy has search at the forefront.

‘Buy online, pick up in store’ searches have skyrocketed

As stores closed or implemented safety measures, and concerns for personal safety increased, consumers searched for “buy online, pick up in store (BOPIS),” “curbside pickup,” and “click-and-collect” at a much higher rate.¹ Stores implemented these options to allow for shopping and sales to continue.

Users are adapting to BOPIS and are using it when offered.² This new consumer habit provides safety over in-store shopping and lets users pick up products immediately instead of waiting for shipping.

Though the BOPIS search trend seems to be trending down, that’s because shoppers now go directly to retailer sites offering it.¹

BOPIS searches in 2020¹

---


---

eMarketer predicts BOPIS revenue will increase by 60% in 2020.²

The BOPIS consumer trend is here to stay.
BOPIS searches surged across retail categories

Categories that contained necessities saw the largest growth in BOPIS as a result of the pandemic, with grocery and mass retailers leading the way. Pet supplies, home and garden, and beauty also saw significant increases in BOPIS shopping.  

17x increase in search volume

Tip: If you’re a brick-and-mortar retailer, implement BOPIS as an option for consumers and highlight it in your campaigns.

Previously popular categories grocery and mass retailers remain #1 and #2, with grocery in the top spot. New significant categories include pet supplies and beauty.

Microsoft internal data, December 2019 and May 2020.
Category searches increased, highlighting new consumer needs and interests

As retail searches have increased YoY due to COVID-19 and the homebody economy, certain categories saw more significant growth than others. Food and grocery searches saw a 44% increase YoY, as consumers stay home, search for grocery and food delivery, and go to restaurants much less.1

With day care shifting to working parents, and remote working and online schooling becoming the new normal, consumers searched for computers and other electronics 36% more YoY.1 This is most likely to accommodate new at-home needs, such as home offices and entertainment for children and families. The shift to at-home entertainment and work led to the home and garden category seeing a nearly 30% increase in searches YoY.1

The beauty and personal care category saw a 23% increase in searches YoY1 as consumers in the U.S. were forced to alter their beauty routines due to COVID-19 closing salons and spas.

With these category and consumer shifts, think about how your business or service can adapt to meet new consumer behaviors and how you can subsequently reach them authentically where they are, on search.

Holiday 2019 trends

Let’s look back at last year to see what the 2020 holiday season may hold.
Holiday season remained the king for retail

Consumers spent big for the holidays in 2019. The holiday season continues to be the largest retail shopping season of the year for both consumers and businesses. Not only were consumers spending big in 2019, they were also shopping online more than ever before. E-commerce retail sales grew overall, and home improvement and grocery/beverage categories saw the largest online sales growth YoY.¹

<table>
<thead>
<tr>
<th>Category</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home improvement</td>
<td>+25%</td>
</tr>
<tr>
<td>Grocery/beverage</td>
<td>+20%</td>
</tr>
<tr>
<td>Home/décor/furniture</td>
<td>+20%</td>
</tr>
<tr>
<td>Automotive</td>
<td>+19%</td>
</tr>
<tr>
<td>Health/fitness/nutrition</td>
<td>+18%</td>
</tr>
<tr>
<td>Consumer electronics/ major appliances</td>
<td>+18%</td>
</tr>
<tr>
<td>Sporting goods/outdoors</td>
<td>+16%</td>
</tr>
</tbody>
</table>

Holiday sales surpassed $1 trillion for the first time ever, with 3.7% growth.¹

Online sales saw 13.2%¹ sales growth while desktop grew 8%.²

Tip: Since the holiday season is huge for consumers and spending, be sure your search campaign is set up properly to reach them.

Holiday 2019 trends

Desktop drove the bulk of the season’s spending and purchases

Last year, 60% of all holiday online purchases were made on a desktop. This shows that mobile is more often used for research on the go, whereas shoppers rely on desktops to make their final purchase.

- 60% of all 2019 online holiday sales were on desktop.¹
- 75% of all clicks on the Microsoft Search Network were on desktop or tablet.³

Tip: Desktop searching is here to stay, thanks to COVID-19, and it will likely comprise most e-commerce sales in the upcoming season.

Convenience was key for holiday shoppers

Consumers wanted easier holiday shopping in 2019. Free shipping enticed 92% of retail shoppers to buy from retailers offering such deals. During Cyber Week, 86% of e-commerce sales had free shipping. Consumers also wanted the BOPIS option, which appeals to shoppers looking for immediate gratification and a less hurried shopping experience. This spurred 60% of retailers to implement BOPIS, leading to a 35% increase in BOPIS purchases YoY.

92% of consumers planned to take advantage of free shipping deals. The convenience of staying home and saving on shipping is key.

60% of retailers implemented BOPIS in 2019 holiday season. Buy online, pick up in store allows for immediate gratification.

86% of Cyber Week online sales had free shipping. Free shipping entices consumers, especially during big retail days.

35% increase in BOPIS for 2019 holiday season. BOPIS replaces the in-store shopping experience.

Tip: Be sure to include free and fast shipping promotions and BOPIS options for holiday shoppers.

Top click days extend past Cyber Week

While the top click days for the holiday season happen primarily during Cyber Week, the weeks leading up to Christmas saw many high-click days. Cyber Monday had the most clicks.

<table>
<thead>
<tr>
<th>November 2019</th>
<th>December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>S</strong></td>
<td><strong>M</strong></td>
</tr>
<tr>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>10</td>
<td>11</td>
</tr>
<tr>
<td>17</td>
<td>18</td>
</tr>
<tr>
<td>24</td>
<td>25</td>
</tr>
<tr>
<td>29</td>
<td>30</td>
</tr>
</tbody>
</table>

Tip: Though clicks are expected to peak at the end of November and early December, advertisers shouldn’t exhaust their budgets during this period. Bid on less competitive days to take advantage of lower CPCs and ensure coverage over the multi-month shopping journey.

Holiday 2020 forecast

Let’s look ahead to see what this year’s holiday season has in store.
Insights to reimagine the 2020 holiday season

How will COVID-19 impact retail this holiday season? That’s the question on everyone’s mind. The pandemic has consumers spending time online, especially on desktops. They’re also buying more online. Convenience remains a big selling point. BOPIS will be a key differentiator for shoppers this year and is expected to grow significantly based on both holiday 2019 and COVID-19 shopping trends.

Consumers are also demanding more from the brands they support in terms of shared values, trusted data collection and social activism. Highlight your values to differentiate your brand and build trust, love and loyalty.

Lastly, consumers will delay larger purchases due to economic uncertainties, including holding off on holiday travel because of restrictions and safety concerns.¹

Tip: Your advertising dollars must work harder than ever, and search is the place to be. The holiday consumer’s journey starts with search. As the pandemic continues, they’re relying on it more than ever.

Holiday retail sales often stay strong even when consumers say they’re cutting back

Holidays still happen and consumers will still shop and celebrate, usually more than they expect to, regardless of the economy. So, while retail spending may drop this holiday season, it likely won’t drop as drastically as consumers expect.¹

During the 2008 financial crisis, consumers reported they would spend 29% less during the holidays in 2008, though retail sales dipped by only 4.7% YoY.²

Consumer preference for online shopping will boost e-commerce sales dramatically

The shift to online shopping during the pandemic will help provide e-commerce growth well above what was predicted at the end of 2019.

While overall retail sales in the U.S. will decrease, online sales will increase significantly across categories. Categories hit hard by COVID-19, such as apparel, are still expected to see e-commerce growth in 2020.

<table>
<thead>
<tr>
<th>Category</th>
<th>% change YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food and beverage</td>
<td>58.5</td>
</tr>
<tr>
<td>Health, personal care and beauty</td>
<td>32.4</td>
</tr>
<tr>
<td>Toys and hobby</td>
<td>20.9</td>
</tr>
<tr>
<td>Computer and consumer electronics</td>
<td>17.9</td>
</tr>
<tr>
<td>Office equipment and supplies</td>
<td>17.9</td>
</tr>
<tr>
<td>Books, music and video</td>
<td>13.9</td>
</tr>
<tr>
<td>Auto and parts</td>
<td>12.6</td>
</tr>
<tr>
<td>Furniture and home furnishings</td>
<td>12.4</td>
</tr>
<tr>
<td>Apparel and accessories</td>
<td>8.6</td>
</tr>
</tbody>
</table>

Tip: This holiday season, advertisers should focus on e-commerce efforts and reimagine their business digitally.

Consumers want contactless shopping

The demand for contactless shopping has been supercharged as consumers prioritize their safety over the in-store shopping experience. Yet it’s the convenience of touch-free shopping that analysts believe will cause permanent shifts in consumer behavior. According to eMarketer, 52% of the U.S. population will use BOPIS options in 2020, driving a 60% YoY growth in BOPIS sales.

Consumers are also changing their holiday shopping expectations, with 81% expecting expedited shipping options. It’s expected that 44% of U.S. consumers will delay holiday shopping due to expedited shipping options and the expectation that purchases will arrive before the holidays.

Tip: Implement BOPIS and fast and free shipping options to capture and keep consumer interest.

Plan your campaign around holiday shopping trends

Shoppers will be online and searching even earlier this holiday season, with 19% of U.S. consumers starting their shopping in September or earlier. Consumers have been postponing purchases due to COVID-19, and it’s believed those delayed purchases will be made during the holiday season.

Plan your holiday campaign around shopping trends to improve brand consideration and influence consumer decision-making whether they’re researching products or ready to buy. Remember: Search is where consumers start their purchase journey. In fact, 57% of consumers turn to search when they don’t have a brand in mind, and 91% of searches on the Microsoft Search Network were non-branded in the 2019 holiday season. Make sure your messaging aligns with key holiday shopping phases and customer journey touch points.

The weeks leading up to Cyber Week see Black Friday and Cyber Monday sales and promotions, with retailers often teasing products well before Thanksgiving week. And with good reason: Cyber Week draws the most sales and consumer spend of the holiday season.

Holiday 2020 forecast

While being online during Black Friday and Cyber Monday is important, other days within Cyber Week are seeing large YoY growth and lower CPCs.¹ Ensure you’re in market well before Cyber Monday to capitalize on early shoppers and those doing research beforehand.²

But don’t forget about last-minute shoppers who start and finish their shopping in the weeks leading up to Christmas and beyond. They’ll be looking for offers that provide convenience like click and carry, BOPIS and same-day delivery. In 2019, BOPIS revenue for the holiday season increased 55% over the seasonal average in the week before Christmas.³ Why? Shoppers needed their purchases to arrive before the holidays.

After December 25, 68% of consumers plan to keep shopping for gifts and product exchanges.⁴ Another 51% plan on taking advantage of sales and promotions to shop for themselves.⁵ That’s why your campaign should run before Cyber Week and extend throughout the entire holiday season.⁶

December
POST-CYBER WEEK THROUGH CHRISTMAS
Consumers continue to shop for holidays and use BOPIS
• 32% of shoppers plan to begin shopping in December.²
• BOPIS revenue increased 55% over the seasonal average in the 7 days before Christmas.⁶

AFTER CHRISTMAS
Retailers continue sales, and shoppers seek deals and use gift cards
• 68% of shoppers plan to continue buying after December 25.⁴
• 51% of shoppers say sales and promotions entice them to shop.⁴

5. “3 ways consumers are continuing to shop after the holidays,” National Retail Federation, December 26, 2018.
Microsoft Advertising
Audience insights

Advertise with Microsoft Advertising this holiday season to reach a large, diverse audience with vast spending power.
Reach a large and unique audience on the Microsoft Search Network

74.3M total retail PC searchers.¹

797M total retail PC Searches.¹

39% of all retail PC paid clicks.¹

42M PC retail searchers not reached on Google.¹

That spends more than average consumers

Unique searchers on the Microsoft Search Network spend 25% more online than the average internet searcher.²

Microsoft Search Network users are 97% more likely to be in the top 10% of income² than the average internet searcher.³

1. comScore qSearch, Explicit Core Search (custom), U.S., December 2019; industry categories based on comScore classifications. Data represents desktop traffic only. 2. comScore qSearch, Explicit Core Search, U.S., March 2020. The Microsoft Search Network includes Microsoft sites, Yahoo! sites (searches powered by Bing) and AOL sites in the United States. Data represents desktop traffic only. 3. Global Web Index, Chart Builder, U.S., 2019; Microsoft Search Network represents unduplicated visitors to Bing web search, Yahoo! web search and AOL.com web search. Data represents desktop, mobile web, and tablet traffic.
And reaches a diverse audience

Reach diverse audiences by personalizing your campaigns with purpose. Build trust to drive business value. Being on the Microsoft Search Network means you’re:

- 24% more likely* to reach Gen Z audiences who are loyal to brands.\(^1\)
- 20% more likely* to reach LGBTQ+ audiences who love the brand and value brand advocacy.\(^1\)
- 48% more likely* to reach Hispanic audiences who buy brands they see advertised.\(^1\)
- 72% more likely* to reach Black/African American audiences who like to try new products.\(^1\)
- Nearly 3x more likely* to reach veterans who buy brands they see advertised.\(^1\)
- 59% more likely* to reach Indigenous Peoples who value having insider information about the brand or product.\(^1\)

*More likely than average internet user.

Trust plays a critical role in consumer decision-making

85% of people say they’ll only consider a brand they trust.¹

4.5x greater concern coming from marketing leaders over consumer backlash.¹

64% of people are more trusting of brands that represent diversity in ads.¹

49% of people have stopped purchasing from a brand that didn’t represent their values.¹

Trust has the power to make or break brands

Consumers want brands they can trust. This means being transparent, using your platform to speak out on important issues, and acting in line with your customers’ values.

Brands that make a value-based, emotional connection with consumers stand to build customer trust and loyalty. Reaching them via search in an authentic way that highlights your values is key to capturing and maintaining their attention.

Take a deep dive into Marketing with Purpose.

Let Microsoft Advertising help you plan your best holiday campaign with the 2020 holiday guide.
New year, same key dates to build your marketing calendar around

We predict that this holiday season will see similar top click days and that well into December people will still be shopping online for holiday gifts.¹ Don’t exhaust your budget on Cyber Week. Be sure to extend it through early January to capture the most shoppers.

The post-Thanksgiving dates of Black Friday and Cyber Monday are expected again to deliver.

Extend your holiday campaign past Cyber Week to capitalize on high-click days at lower CPCs.

Microsoft Advertising

Pre-Cyber Week checklist
October 1 – November 23

39% of consumers start their holiday shopping before November.¹

42M PC retail searchers on the Microsoft Search Network aren’t reached on Google.²

Start building an audience of your best customers

- Ensure conversion tracking is set up to build remarketing pools and measure your impact online and offline.
- Build awareness before Cyber Week sales start by extending reach beyond search with Microsoft Audience Ads.
- Set up automated rules and bids early in the season to allow the algorithm to build in advance of Cyber Week.
- Reach mobile audiences through Microsoft Advertising search partners and get performance insights with website reports.

Learn how headlines and descriptions perform for your business objectives

- Use Responsive Search Ads to take advantage of additional headline and character limits and let Microsoft Advertising identify and report to you the best performing ad combinations.

Influence decision-making among those who are choosing brands

- Increase your search term coverage using customized ad experiences with Dynamic Search Ads, and uncover new business opportunities without draining your budget and team resources with broad match.
- Use broad keyword targeting (e.g., category keywords, brand keywords) with In-market Audiences or Remarketing layered in to reach relevant audiences who may be searching in a variety of ways.
- Help your ads be more visible with mainline bidding. Check out the Recommendations tab for bid adjustment recommendations.

Tease upcoming sales and events

- Enhance your text ads with eye-catching ad customizers to give potential customers greater incentive to click your ads.

---

Microsoft Advertising

Cyber Week checklist
November 24 – November 30

86% of Cyber Week online sales had free shipping.¹

39% of all retail PC paid clicks happen on the Microsoft Search Network.²

Work smarter to be more efficient

□ Have more control and flexibility when enabling campaigns, adjust budgets, and send email alerts with automated rules and bids or scripts. Create an automatic rule to optimize your campaigns, ad groups, ads and keywords.

□ Focus on downstream conversions when CPCs are most competitive with Target CPA, Enhanced CPC and Maximize Conversions. Let Microsoft Advertising adjust your keyword bids in real time to reach the cost per acquisition (CPA) you want.

□ Hone efforts to expand coverage on highly profitable products or priority categories, and bid differently based on custom labels you create, with page feed Dynamic Search Ads.

□ Sharpen audience targeting using your own rich, first-party customer data with Custom Audiences, which can be built based on segments like purchase history, lifetime value and time since last purchase.

□ Reduce the risk of campaigns pausing during peak shopping by automatically redistributing unused budget to top performers with Shared Budgets.

□ Save time and target customers ready to buy across the Microsoft Audience Network with In-market Audiences.

Compete by leading with offer-focused messaging

□ Display special offers on specific products or sitewide sales with Merchant Promotions, via Product Ads with Shopping Campaigns. Share top products and holiday deals with the exclusive Flyers experiences.

□ Highlight competitive offers, top features of your business, and value propositions with Callout Extensions. Expanding your ads could increase your click-through rate.

□ Improve ad effectiveness with ad customizers and Target Audience ID to provide better deals to audiences built pre-Cyber Week, and those already looking for your products or service.

□ Reconnect with visitors that leave your website with Remarketing. Provide a compelling offer to drive conversions.

2. comScore qSearch, Explicit Core Search (custom), U.S., Dec 2019; industry categories based on comScore classifications. Data represents desktop traffic only.
Microsoft Advertising

Post-Cyber Week checklist
December 1 – January 3

32% of shoppers plan to begin shopping in December.¹

55% increase in BOPIS revenue over seasonal average in the 7 days before Christmas.²

74M retail PC searchers on the Microsoft Search Network.³

Convert last-minute shoppers by making in-store and digital shopping complementary

- Reach those who prefer to buy online and pick up in-store by promoting products available in nearby stores with Local Inventory Ads (LIA); provide the exact store location with Location Extensions; share in-store pickup availability with the BOPIS badge displayed with LIA.

Optimize based on learnings gleaned from (pre-)Cyber Week performance

- Reduce setup time and improve ad quality with ad customizers. Let Microsoft Advertising do the heavy lifting. Provide just one ad copy, and hundreds of customized ad variations will be created to test across audiences.

Be direct

- Drive customers to click through clear calls to action with Action Extensions. Encourage engagement through direct messages, such as “Download” or “Reserve.”

- Use countdown customizers to ensure your customers know when shipping promotions end.

- Highlight top features of your business, such as free shipping dates, with Callout Extensions and Promotion Extensions.

- Target your best customers on any device with device targeting and advertise where your best customers are with location targeting.

Holiday retail best practices

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.
✓ Double-check to make sure all relevant accounts and campaigns are active.
✓ Follow up on any rejected ads.
✓ Add new, relevant and emerging keywords.
✓ Test new features and pilots to optimize before traffic volumes increase with peak season.

Find approaches for a better ROI

✓ Test In-market Audiences directly and indirectly related to your industry.
✓ Budget for PC/tablet and mobile traffic.
✓ Plan your budgets for periods of high CPC.
✓ Opt in to search partner sites to expand your mobile reach.
✓ Use long-tail brand terms.

Optimize keywords, ads and bids

✓ Set up the relevant ad extensions to drive more traffic.
✓ Test new ad copy variations.
✓ Set bids in anticipation of increased competition during the seasonal peaks.
✓ Apply auto-bidding strategies to take advantage of key audiences.
✓ 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 your keywords and ads by testing Dynamic Search Ads and Responsive Search Ads.

Optimize Shopping Campaigns

✓ Schedule Merchant Promotions and Flyer Extensions to display relevant sitewide or category-specific offers and top products.
✓ Refresh your product feed daily.
✓ Send your full product feed with all product offers. Search query trends can change quickly, so ensure your products are eligible to serve as traffic fluctuates.
✓ Go beyond the required attributes and populate your feed with as many recommended attributes as possible, including GTIN, MPN, brand, size, color, shipping cost, and multiple images (up to 10 additional).
✓ Use Local Inventory Ads to promote in-store products and include the Curbside Pickup badge, if applicable.
Ready to learn more?

Make search advertising a key part of your company’s retail holiday marketing plan.

Sign up with Microsoft Advertising today.