



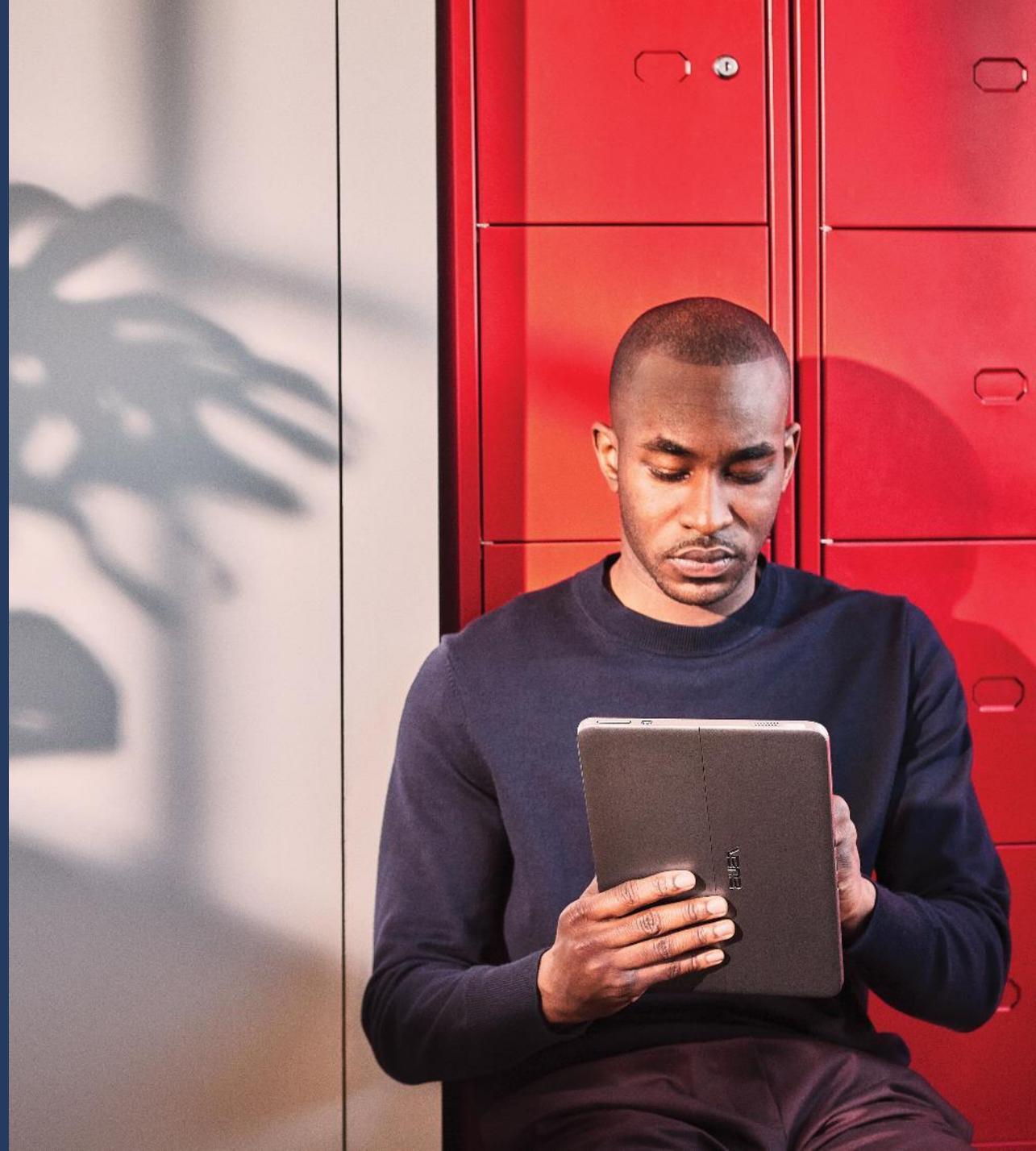
Retail remade

How to plan for a different
retail peak season

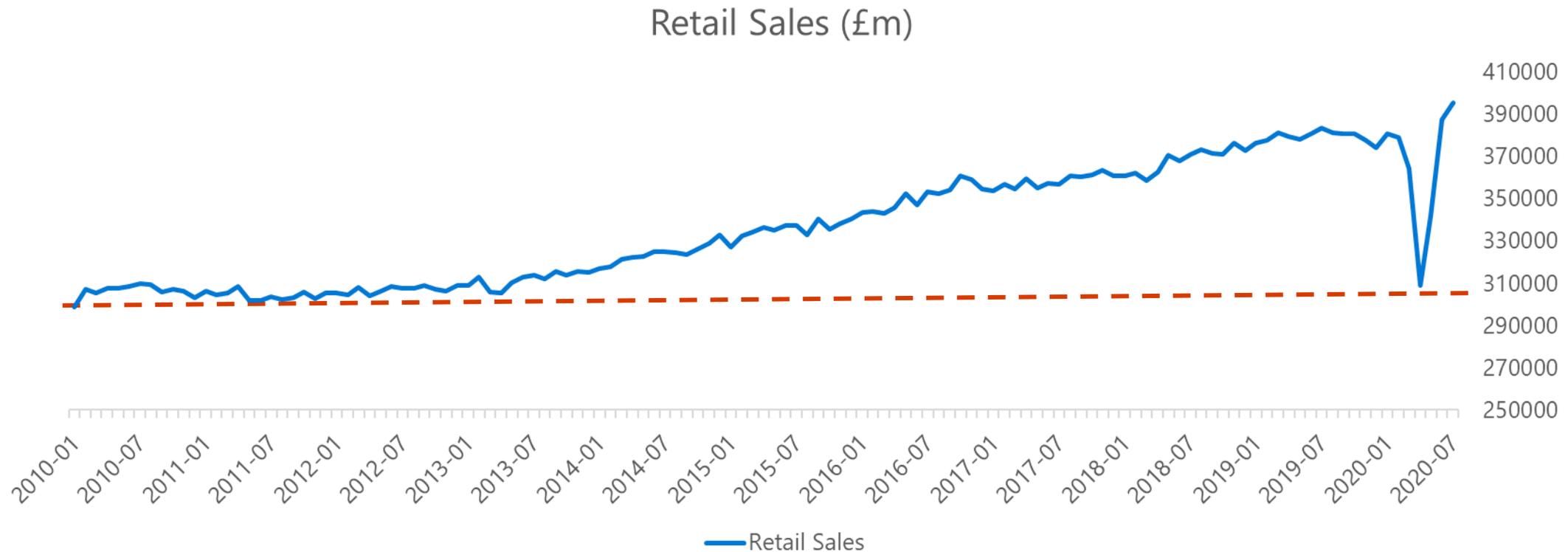
Microsoft Advertising. Intelligent connections.



The story so far...

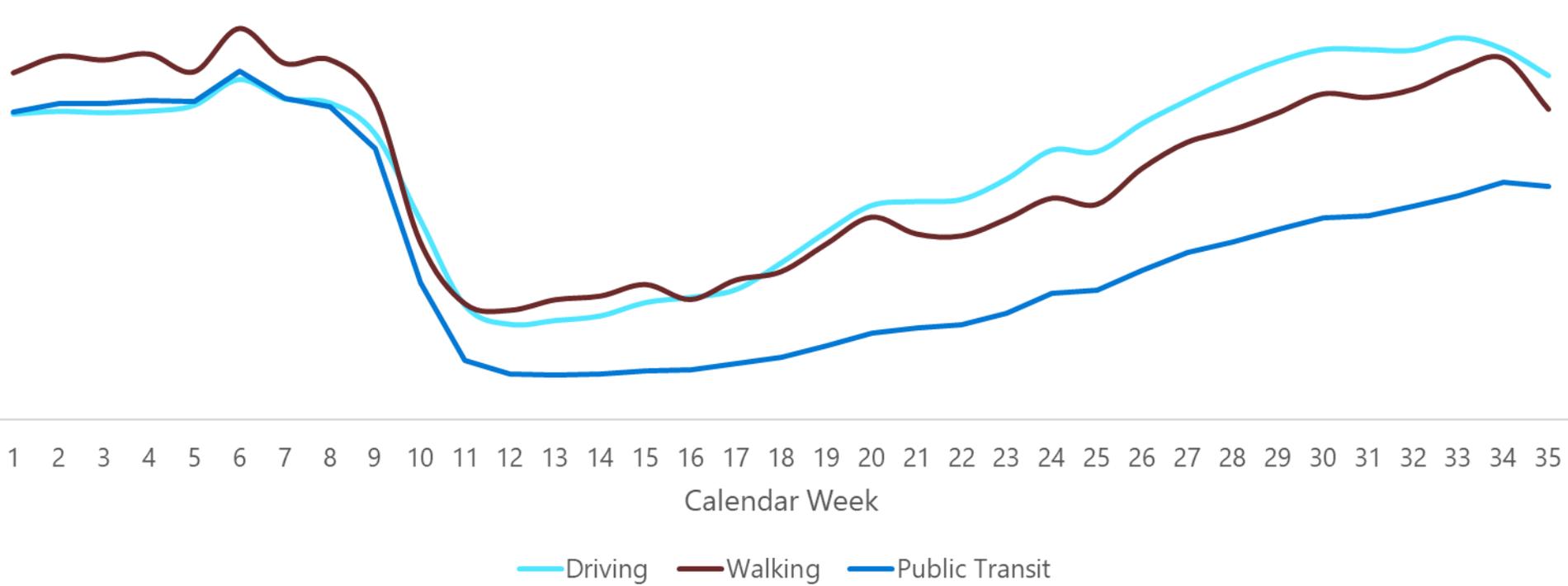


COVID-19 had a profound impact on the retail sector, wiping out almost **10 years** of retail growth in **1 month**



People stopped travelling with direction requests falling significantly after lockdown

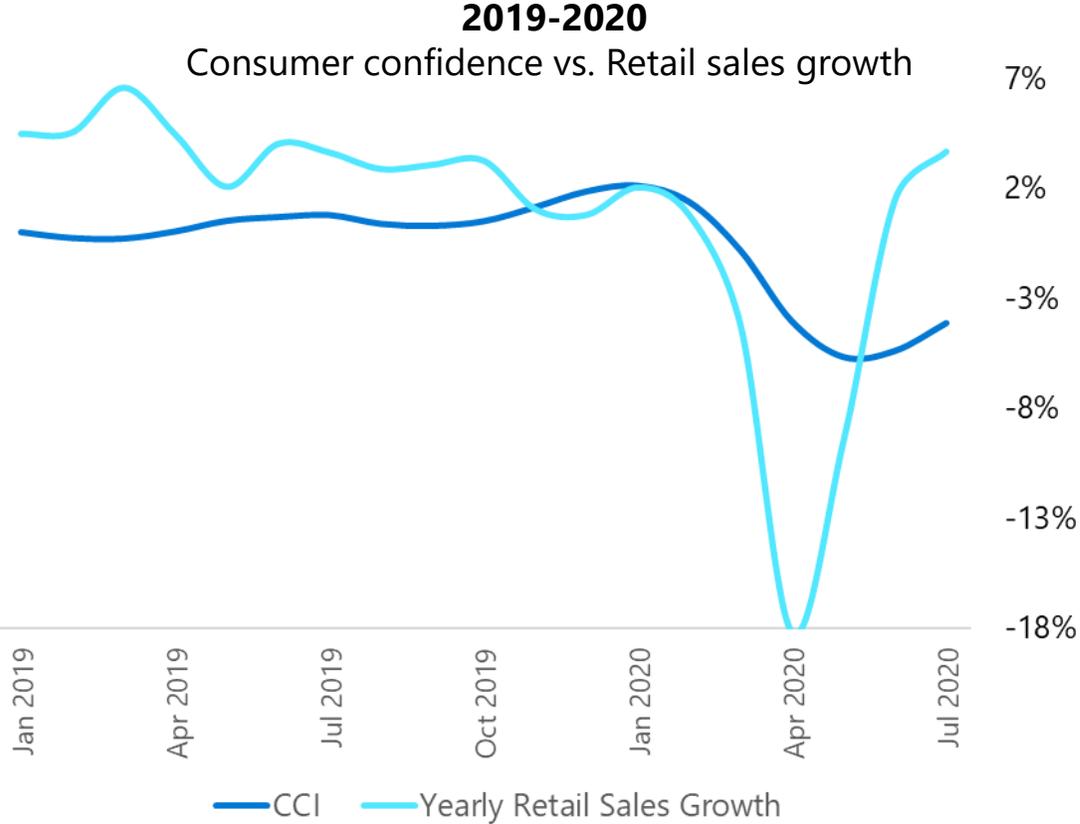
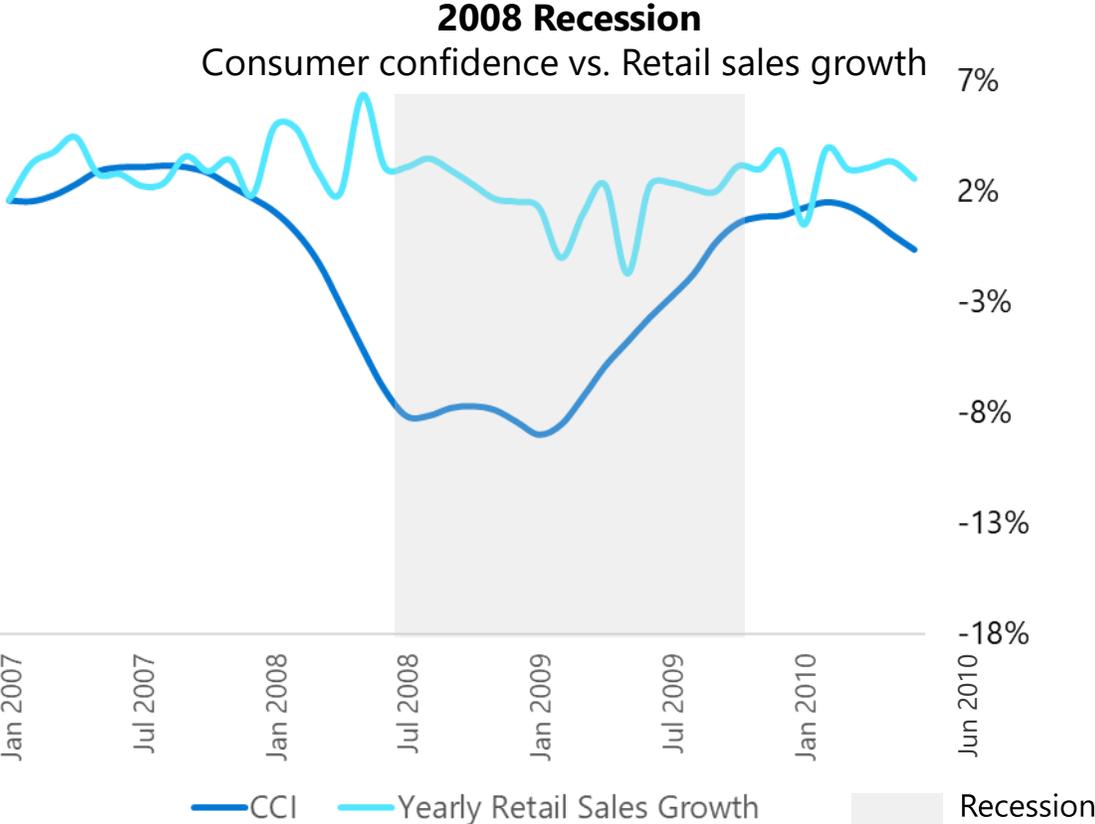
Average Indexed Mobility Requests



Source: Apple Mobility Trends Report, UK data indexed on 13th January – 6th September 2020

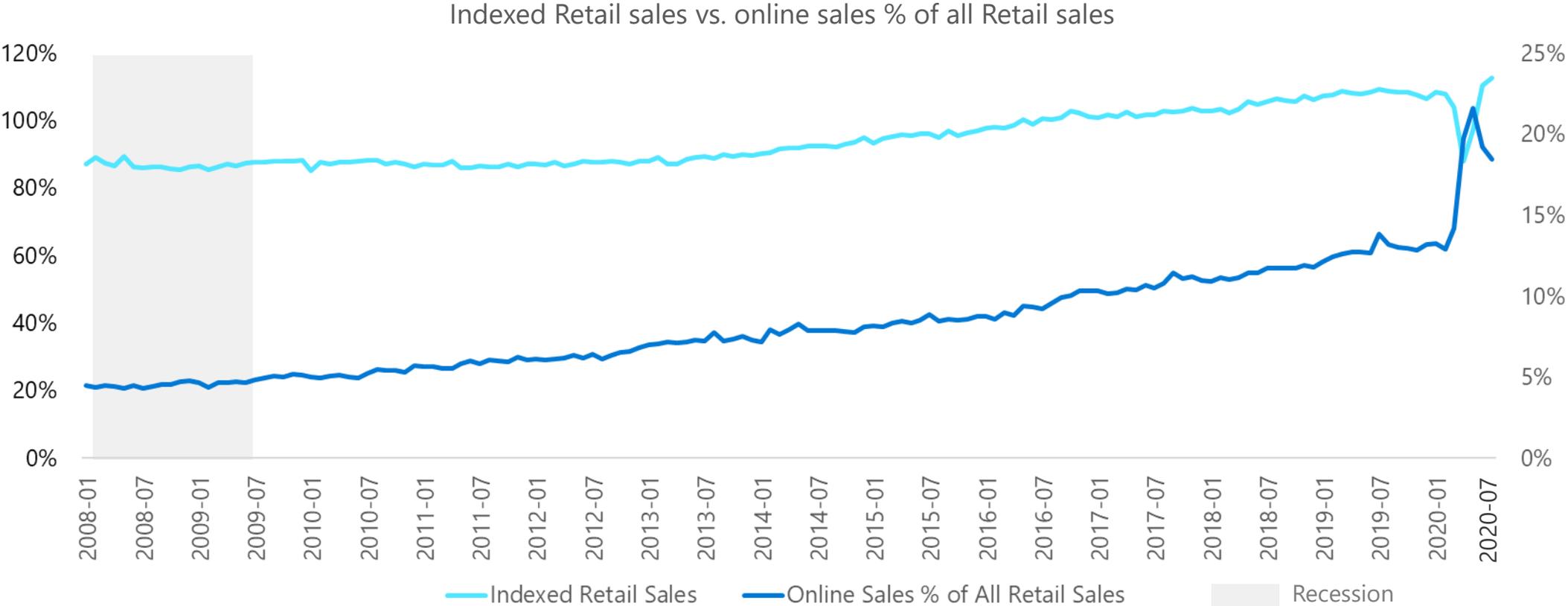
Consumer confidence dropped to 2008 recession levels

However, signs signal strong recovery



OECD (2020), Consumer confidence index (CCI) (indicator). doi: 10.1787/46434d78-en (Accessed on 9th July 2020)
Office for National Statistics (2020), Retail Sales Index (Accessed on 9th July 2020)

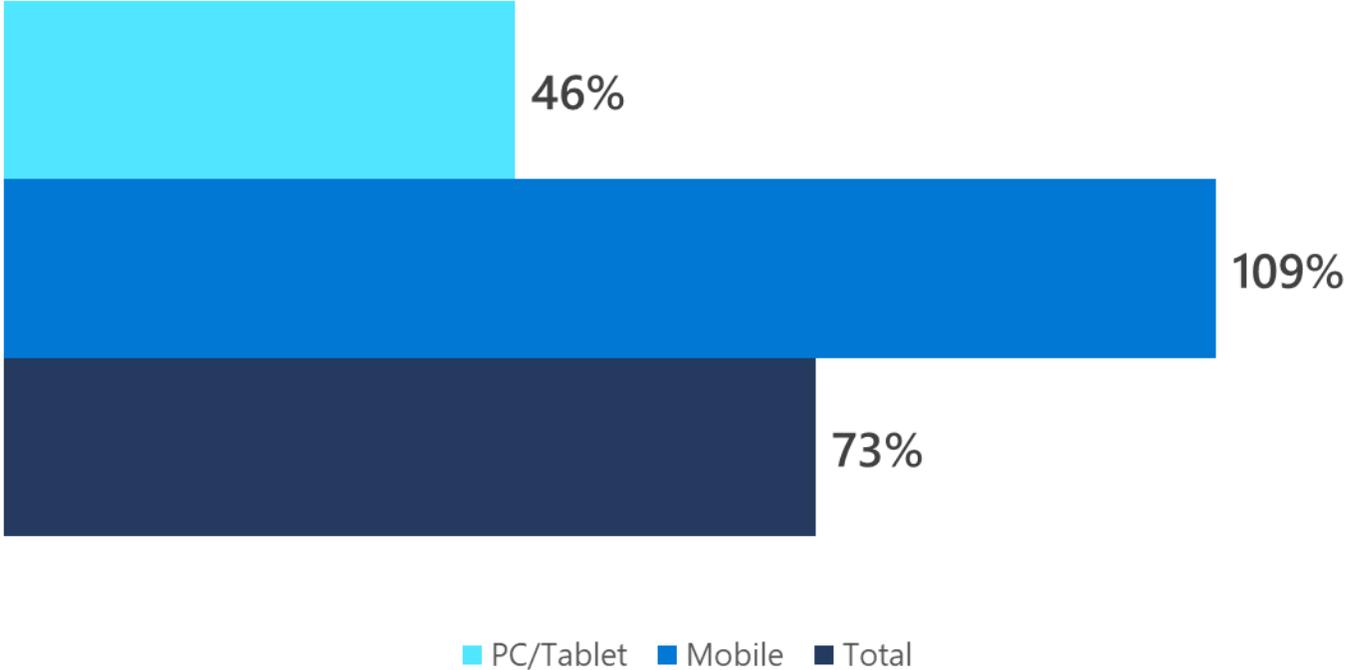
eCommerce is becoming a new normal as retail growth returns to normal but online retail split **remains high**



Office for National Statistics (2020) (Accessed on 21st August 2020)
Retail Sales Indexed on retail sales for Jan 2016

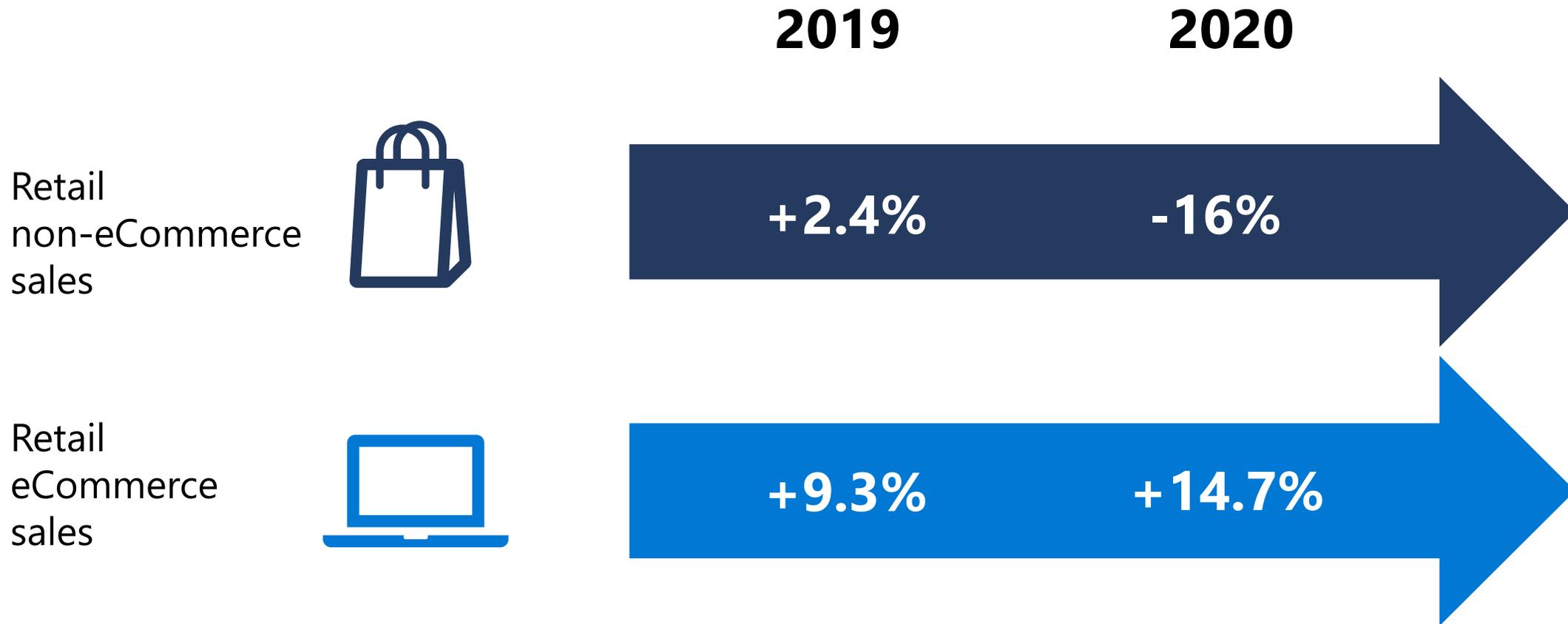
Not only are eCommerce orders high, but the number of **orders per user have grown** significantly across all devices

UK average order volume per user
Retail eCommerce yearly growth Q2 2020



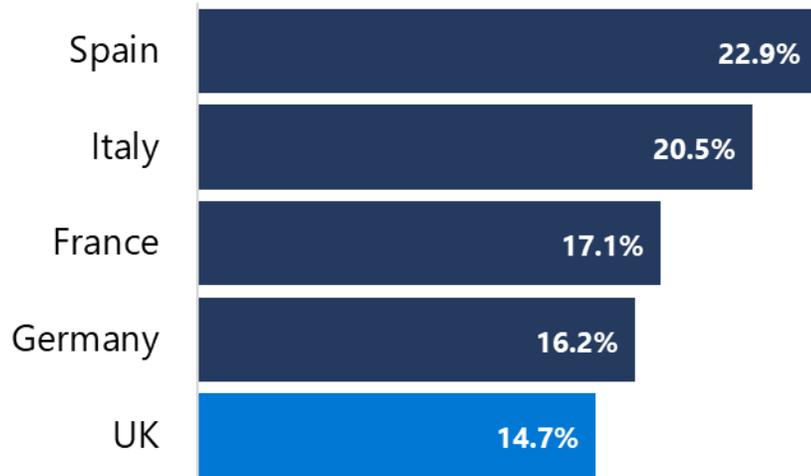
Source: Salesforce, The Shopping Index, Q2 2020

Despite expected decline in non-eCommerce sales, eCommerce is set to hit **double digit growth** in 2020

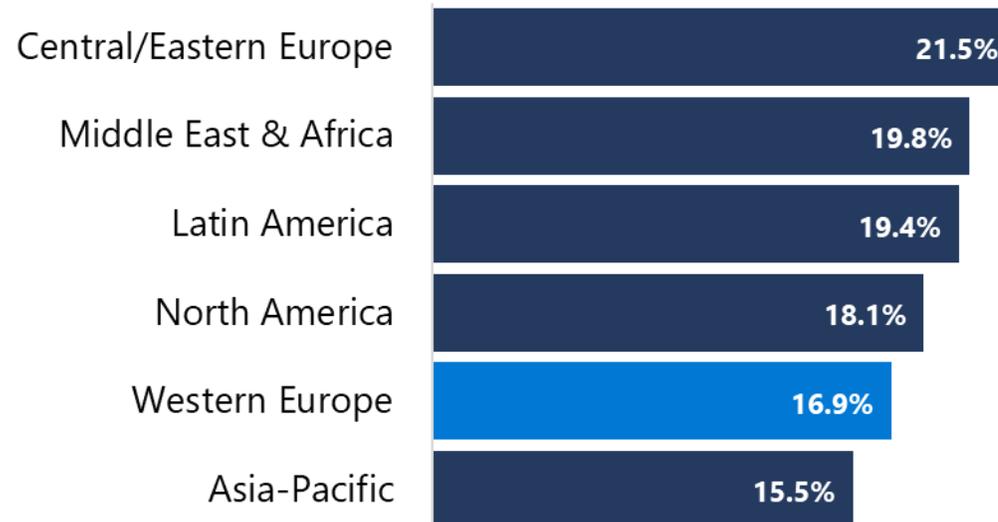


This **accelerated growth** in eCommerce is expected to resonate in **all markets** across the globe

+16,9%
expected 2020 **EU5**
eCommerce sales growth



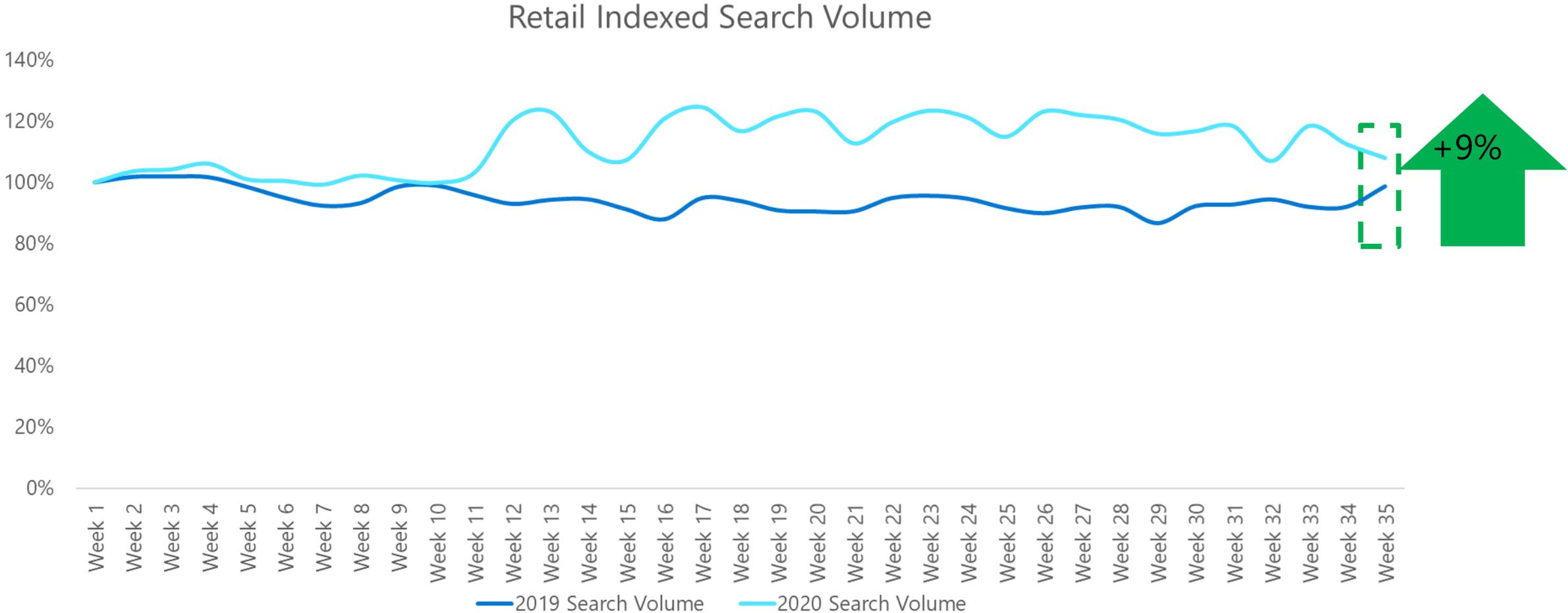
+16,6%
expected 2020 **global**
eCommerce sales growth



What did that look like
on our marketplace?

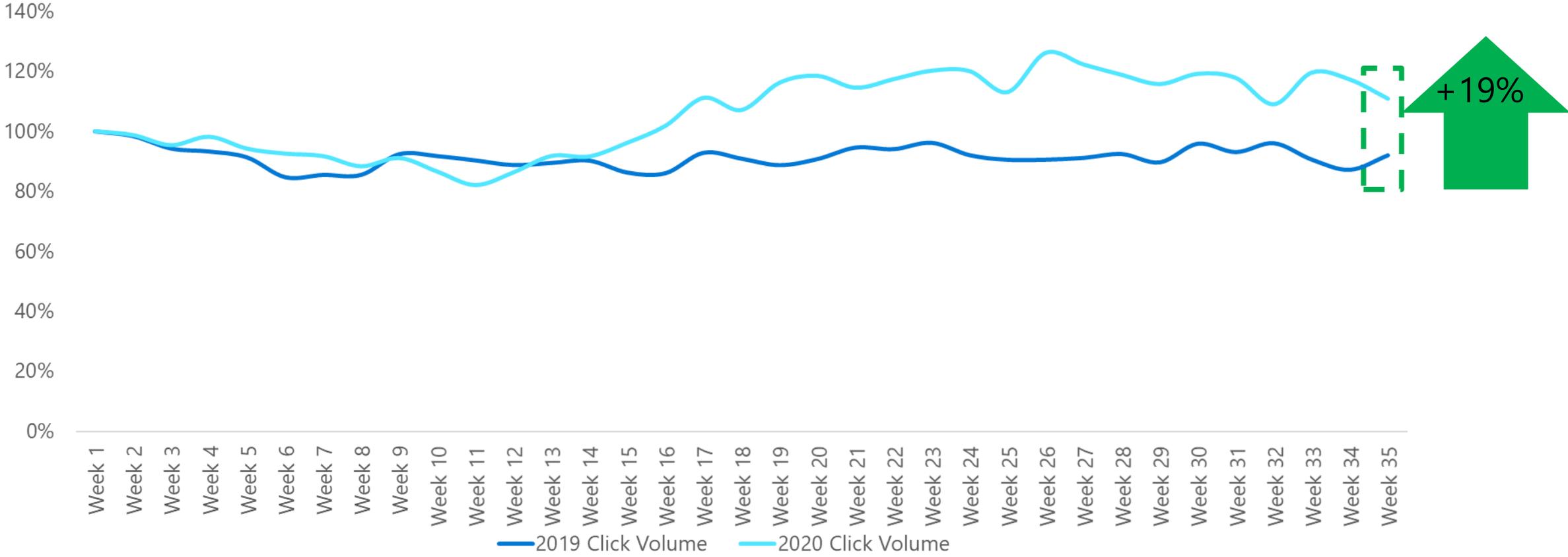


Search **seasonality** changed drastically post lockdown, however, **searches** are returning to a normal trend

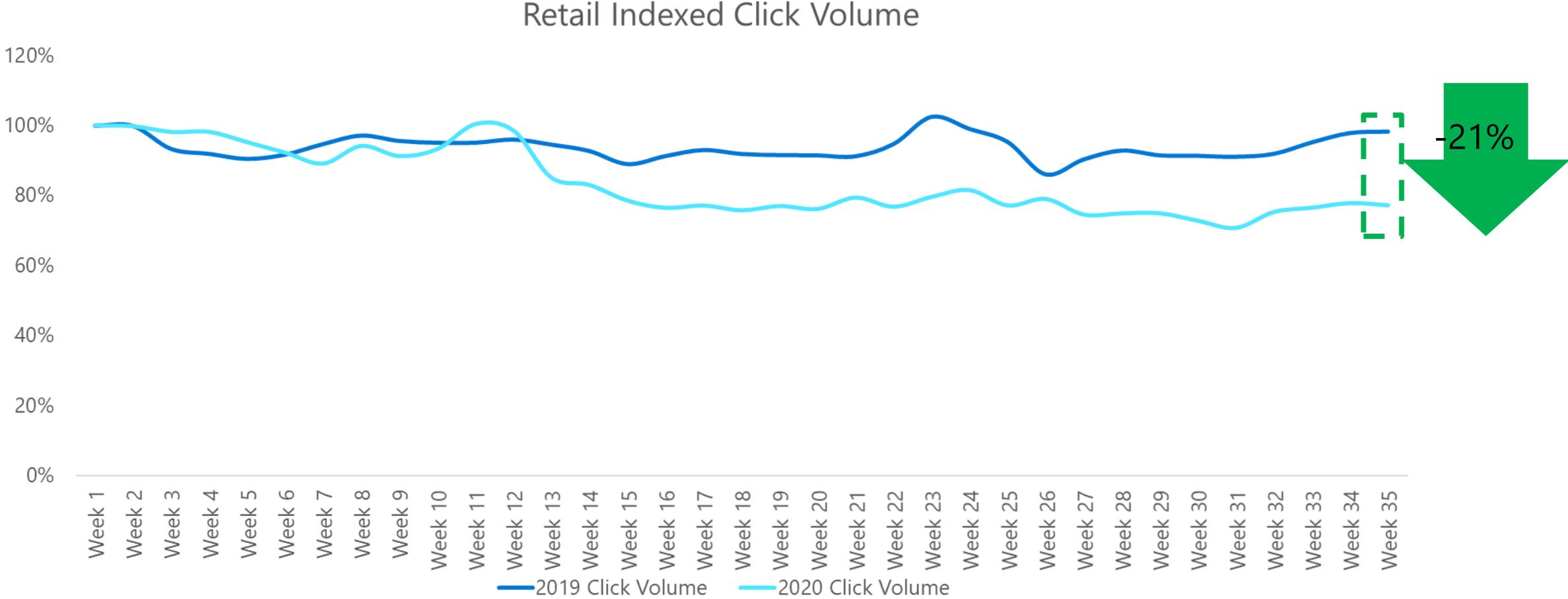


Clicks followed the same trend but are maintaining a higher than normal seasonality

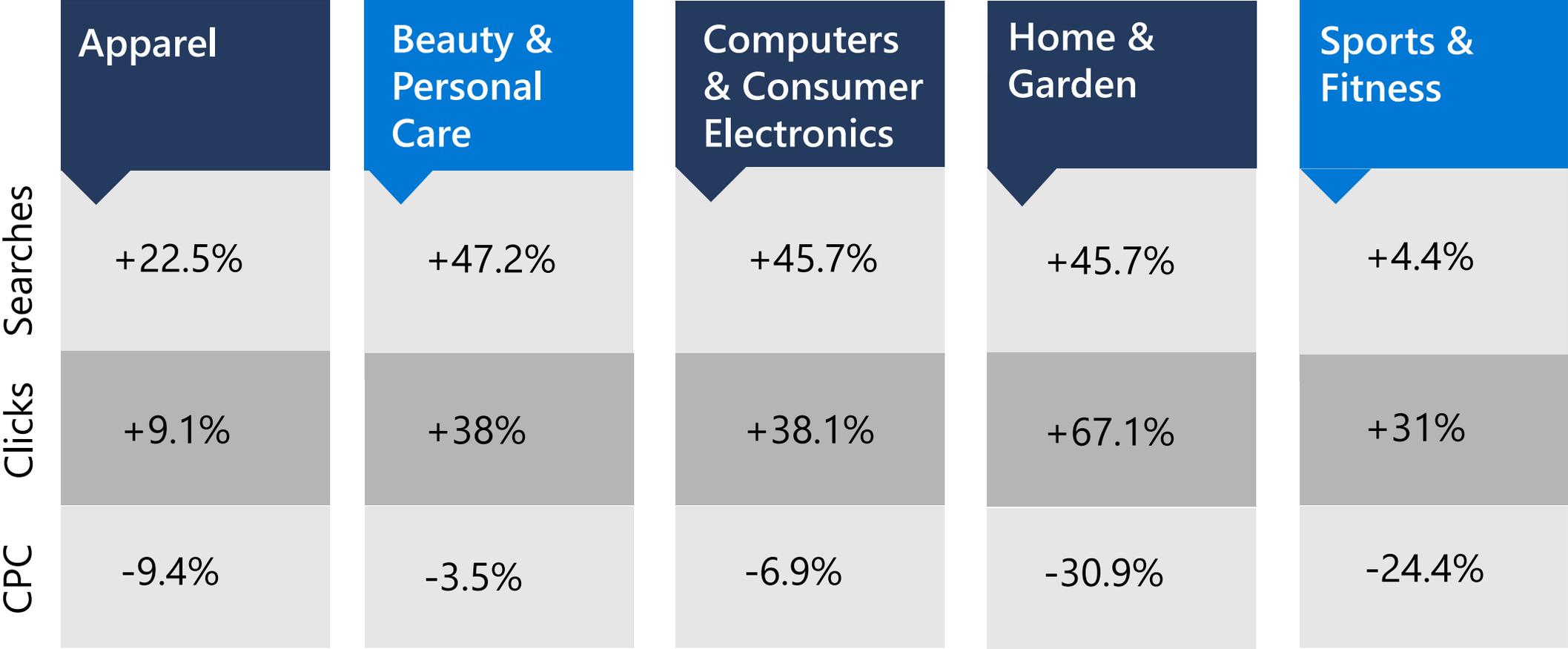
Retail Indexed Click Volume



Clicks have also become **cheaper** with **cost per clicks (CPCs) dropping** below seasonal expectations



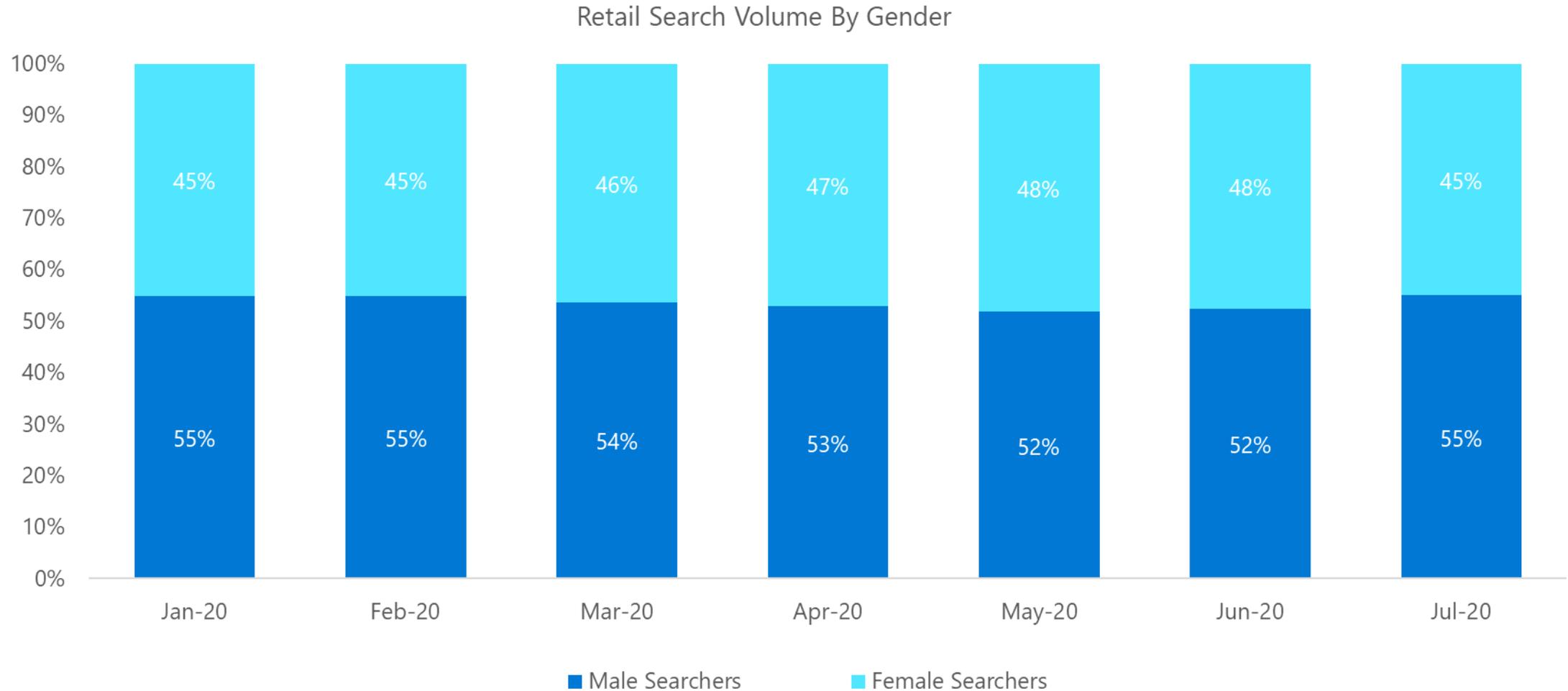
Similar seasonality trends have been seen across Retail's major **sub verticals** since lockdown



Microsoft Advertising Internal Data, post lockdown indexed seasonality trend 2020 vs 2019, calendar week 12 to Calendar week 35

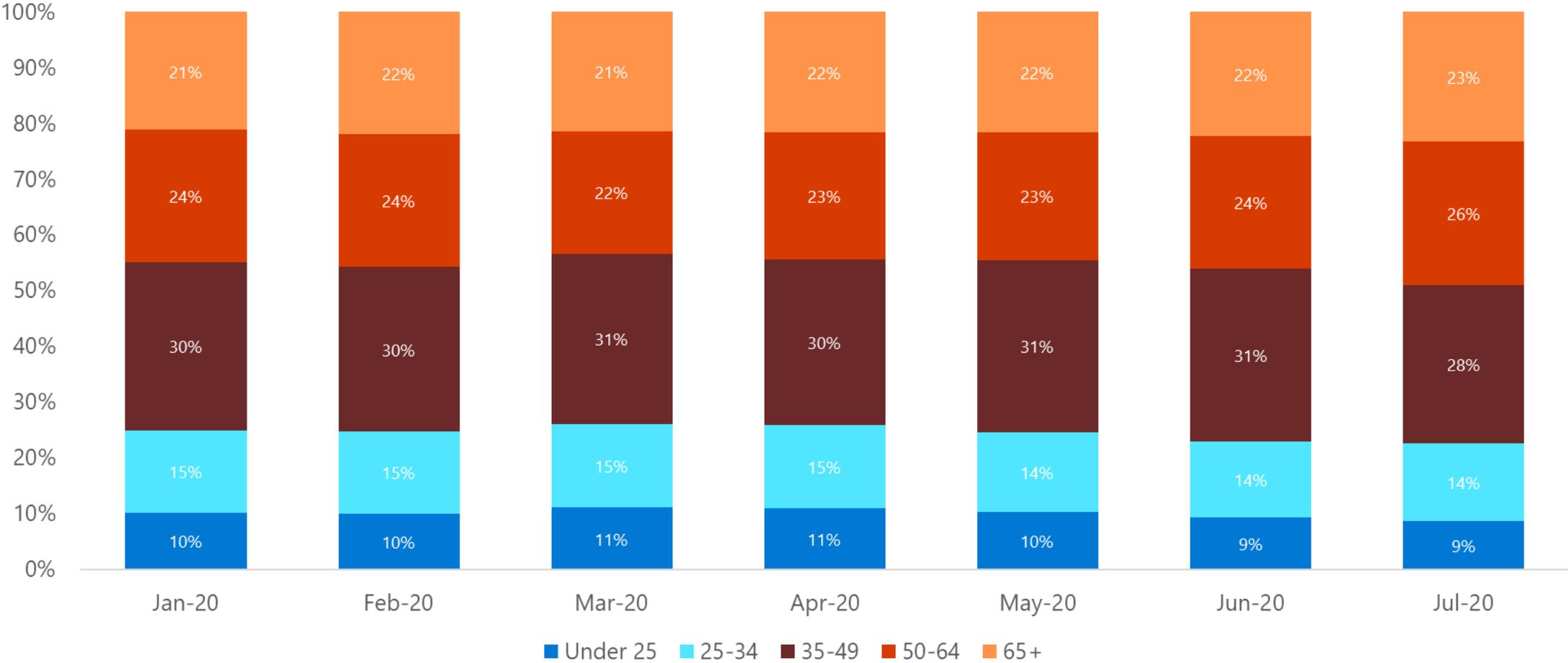


Retail searches by gender have remained **evenly split** throughout 2020



Over 50% of searches are by people ages 35-64

Retail Search Volume By Searcher Age

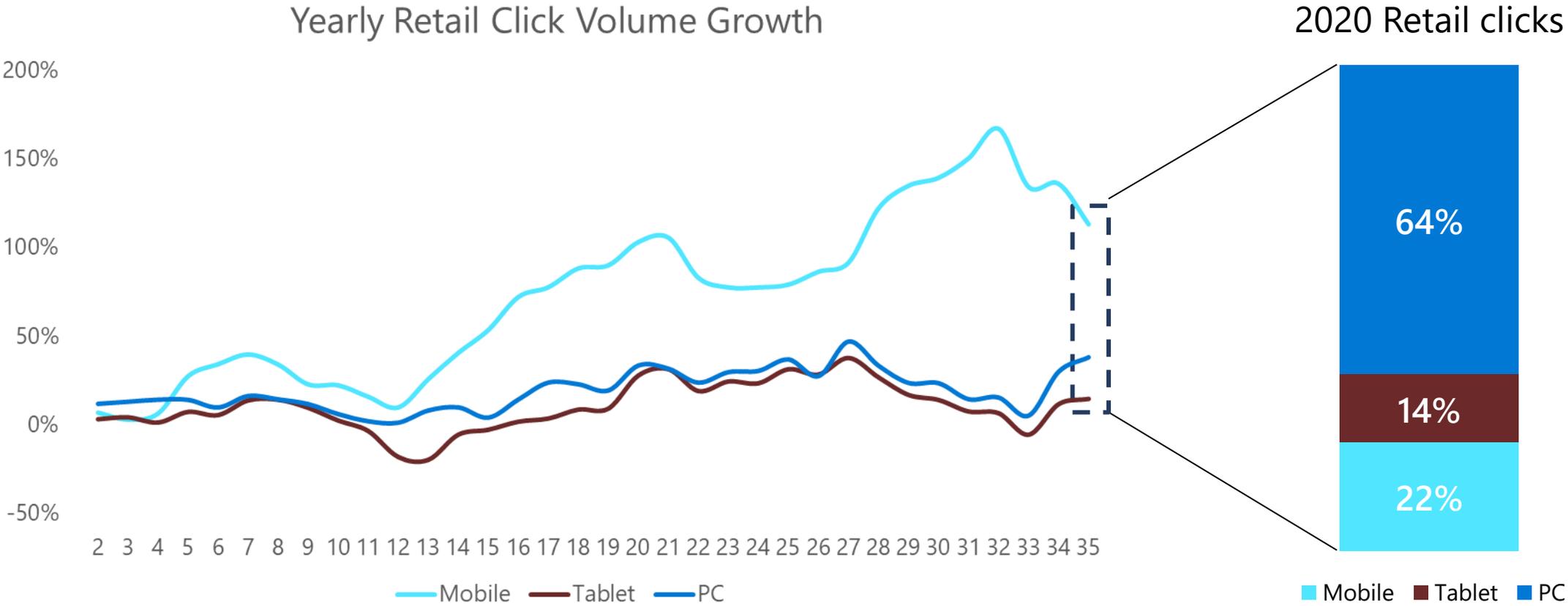


Microsoft Advertising Internal Data, Jan 2020 - Jul 2020, All Retail categories for UK

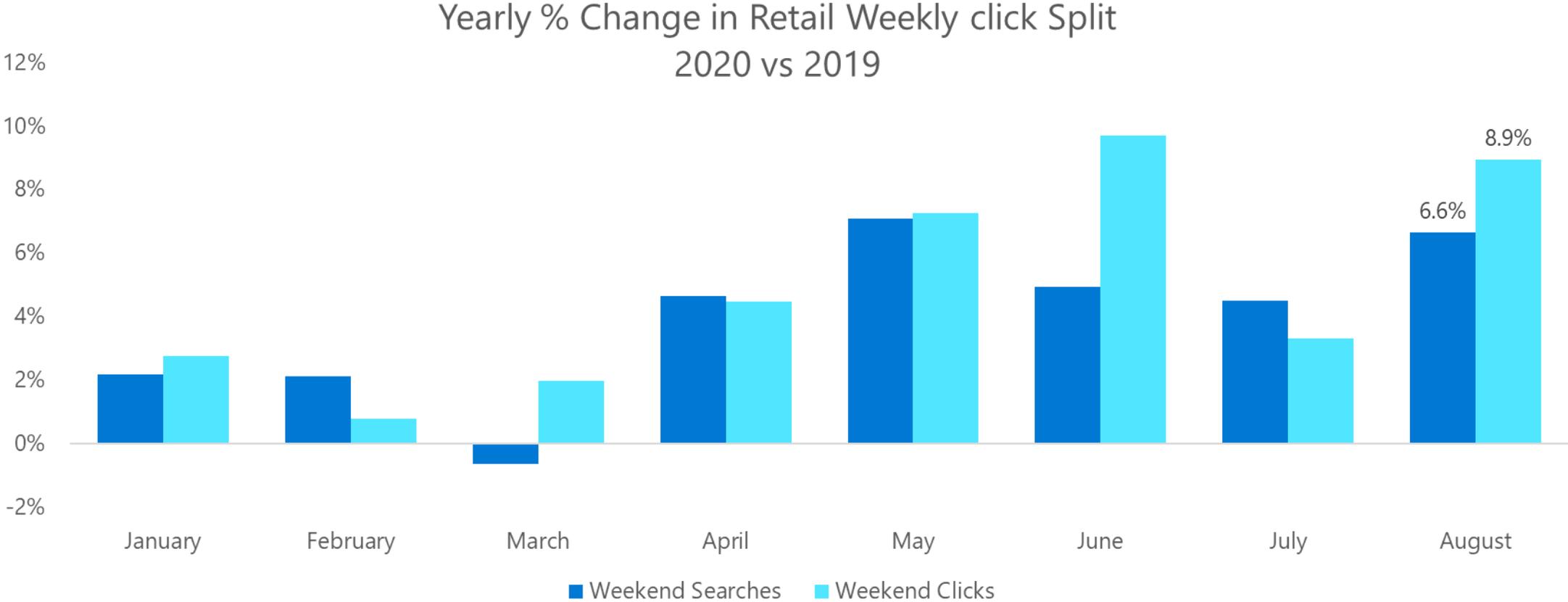
How have people's search behaviours adapted?



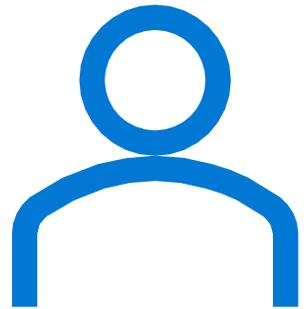
With more time spent at home, people are interacting significantly more on **mobile devices**



Search activity has moved towards the weekend since lockdown



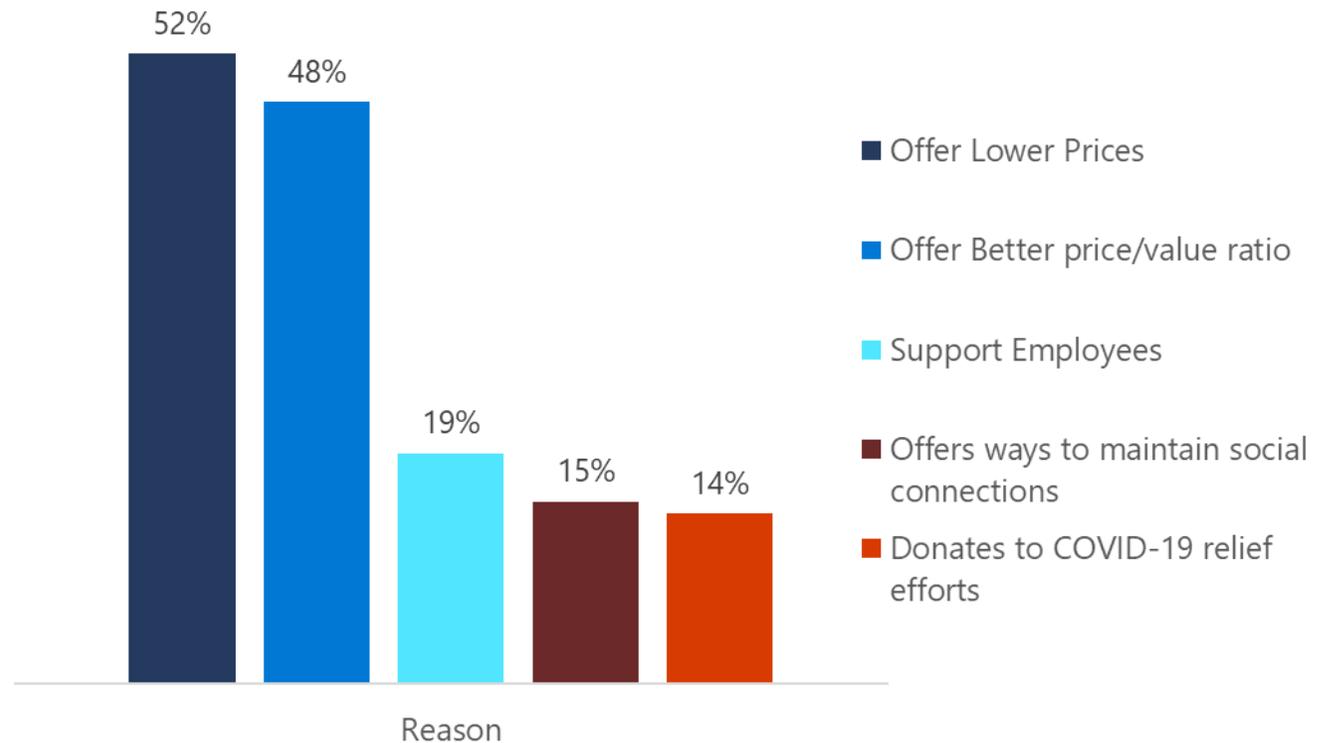
Faced with uncertainty, consumers **changed to retailers** with lower and **better pricing**



44%

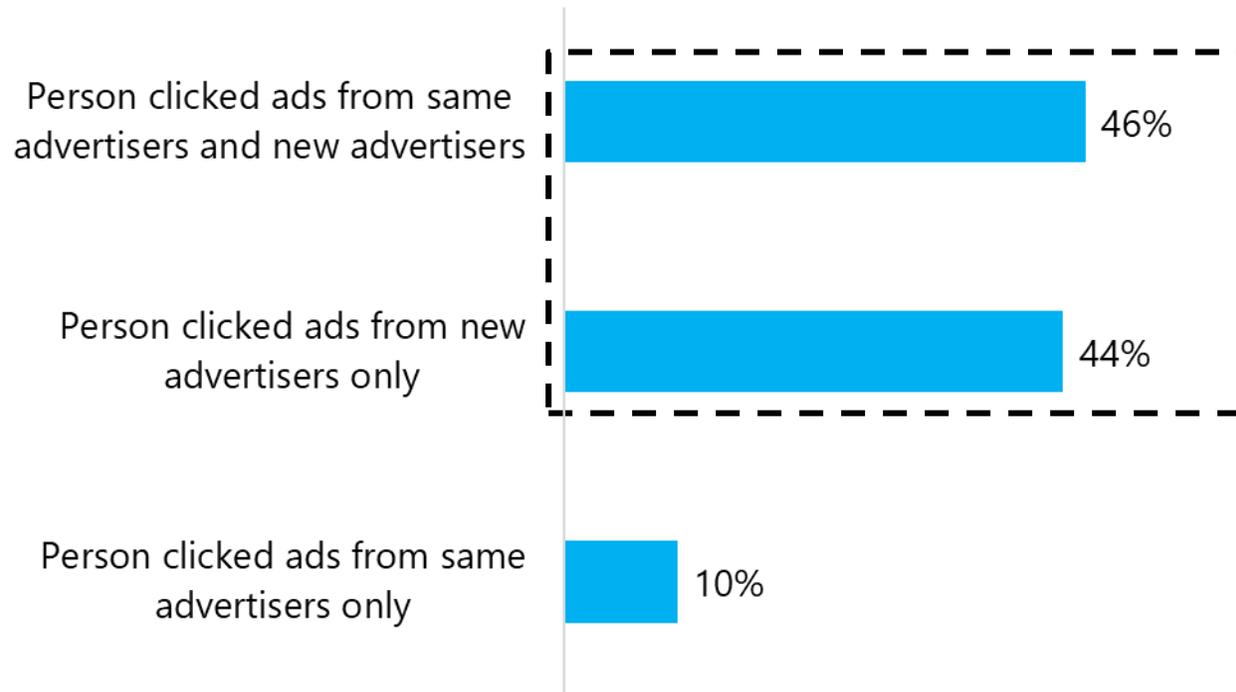
Switched brands or retailers where they previously shopped

Reason for switching brands/retailers



Retail **brand loyalty** has also **decreased** post lockdown

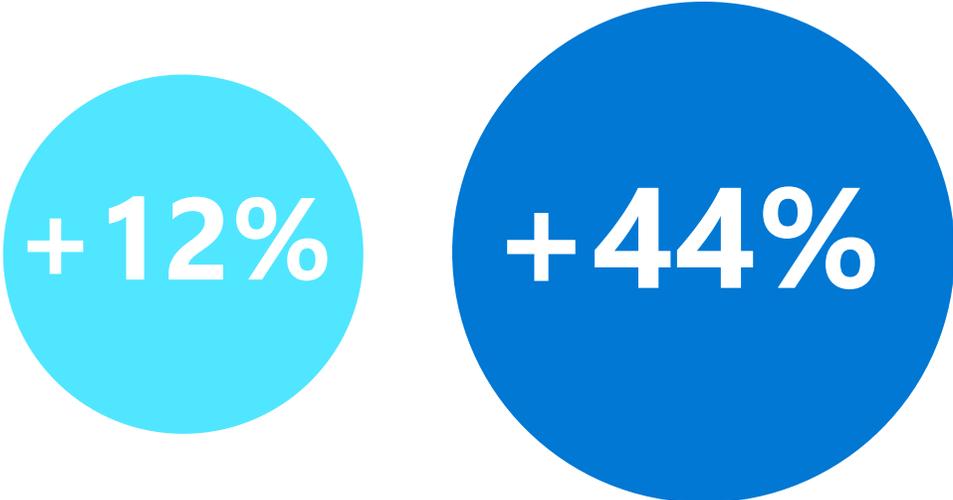
Searcher journeys
Pre vs. post lockdown



90% of search journeys examined pre- and post-lockdown showed interaction with different advertiser ads for the same products they bought before

Retail searchers are **engaging more** with **non-brand keywords**

Yearly click growth



Yearly CPC change

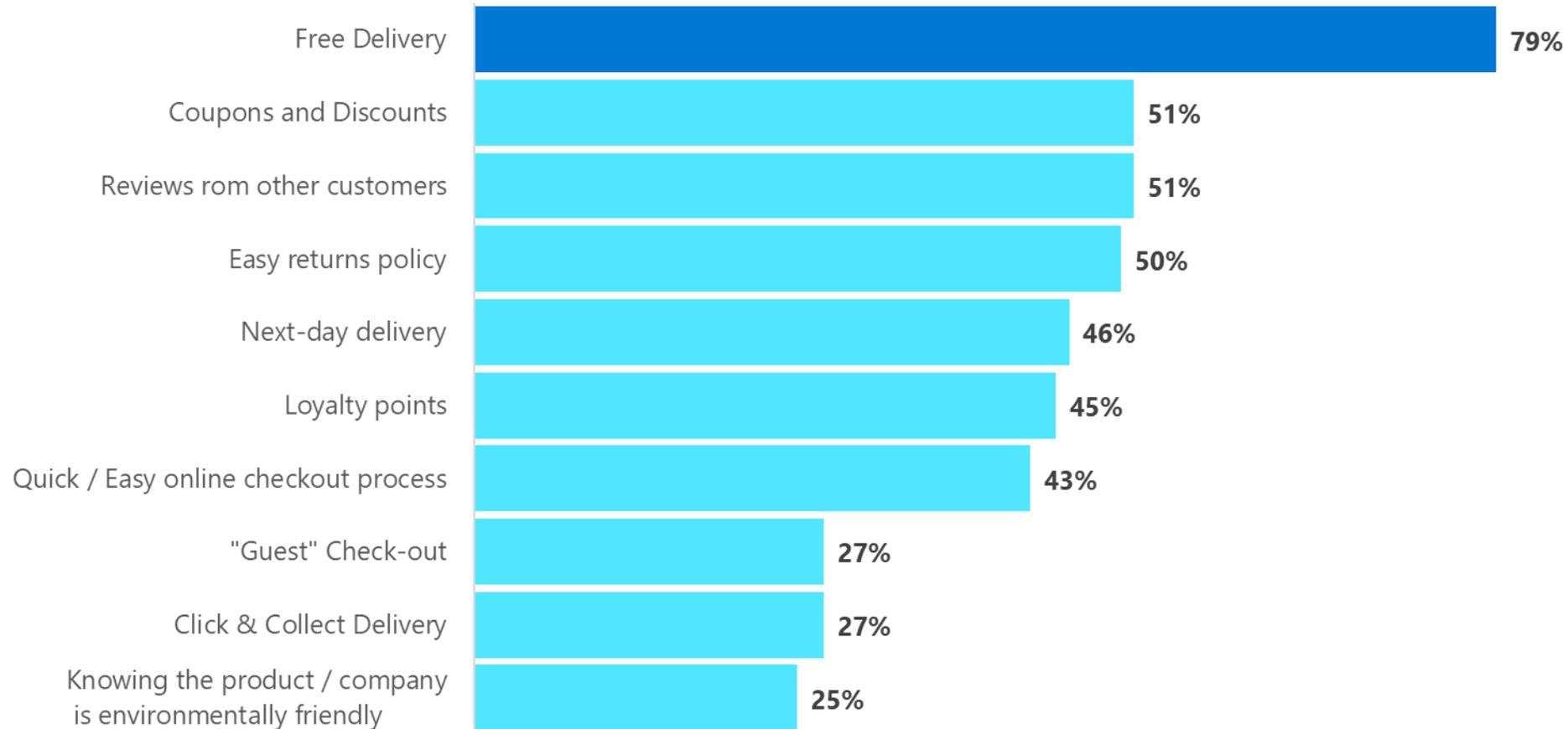


Brand Non-Brand

Source: Microsoft Internal Data, UK, Jan-May 2019 vs Jan-May 2020, All Devices
**Brand/Generic split referred to the whole retail marketplace, UK

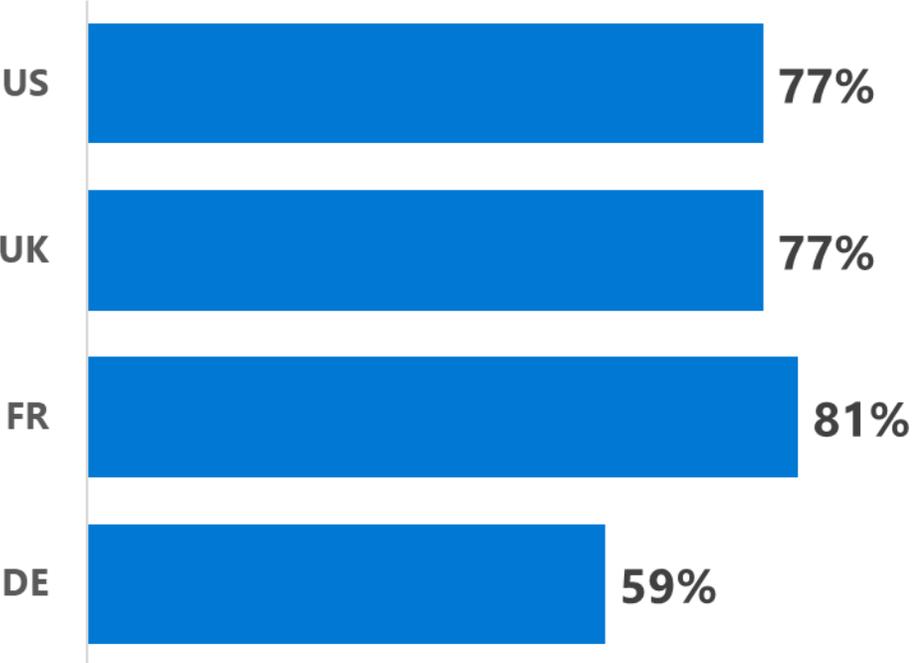
Free delivery is key to driving online shopper purchases

Online Shopper Purchase Drivers

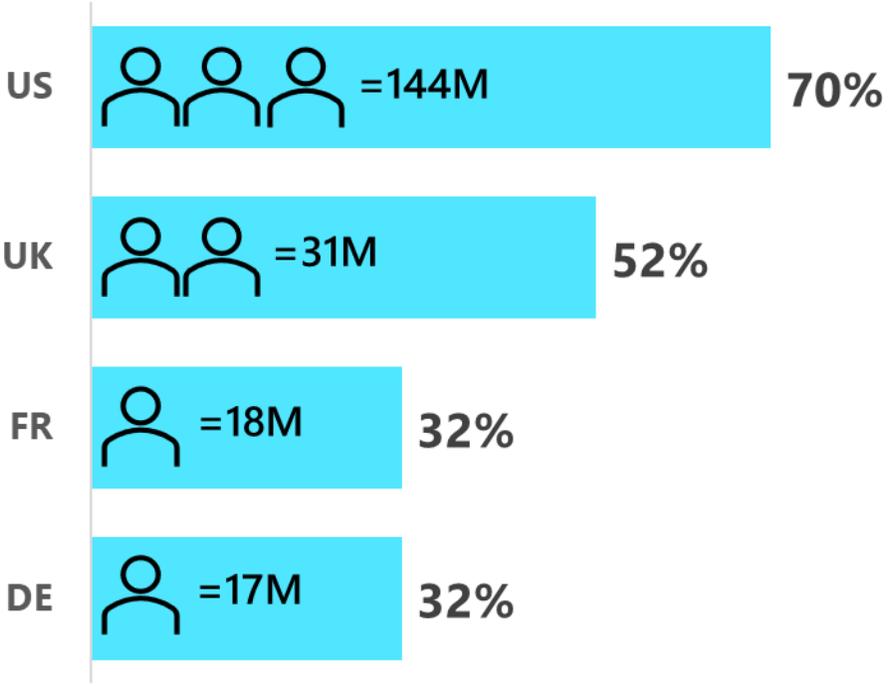


Consumers are looking for **minimum contact** purchasing methods such as **BOPIS** (Buy Online – Pickup In Store)

% of internet users planning to use BOPIS¹



Click-and-Collect Buyers
(% of Tot Digital Buyers, 2020)²

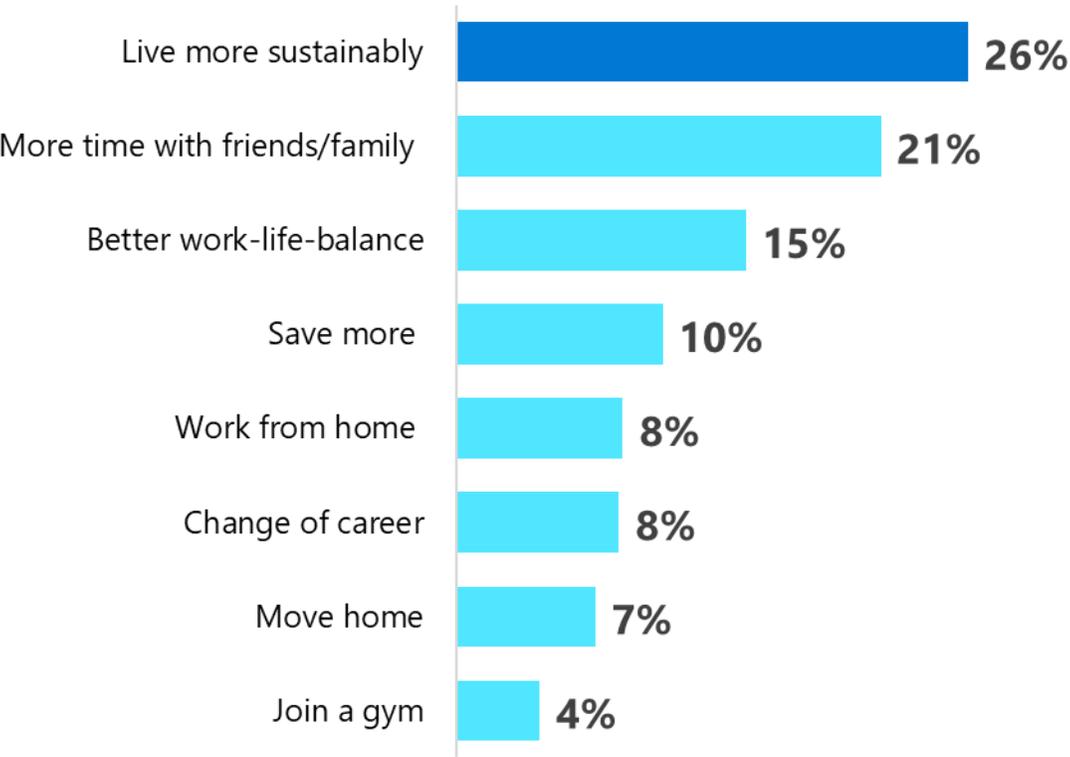


¹ Periscope by MC Kinsey, "The Future of Shopping: connected, virtual and augmented, 2019

² eMarketer, 2020

Searchers are willing and intend to **live more sustainably**

% Respondants planned future habits²

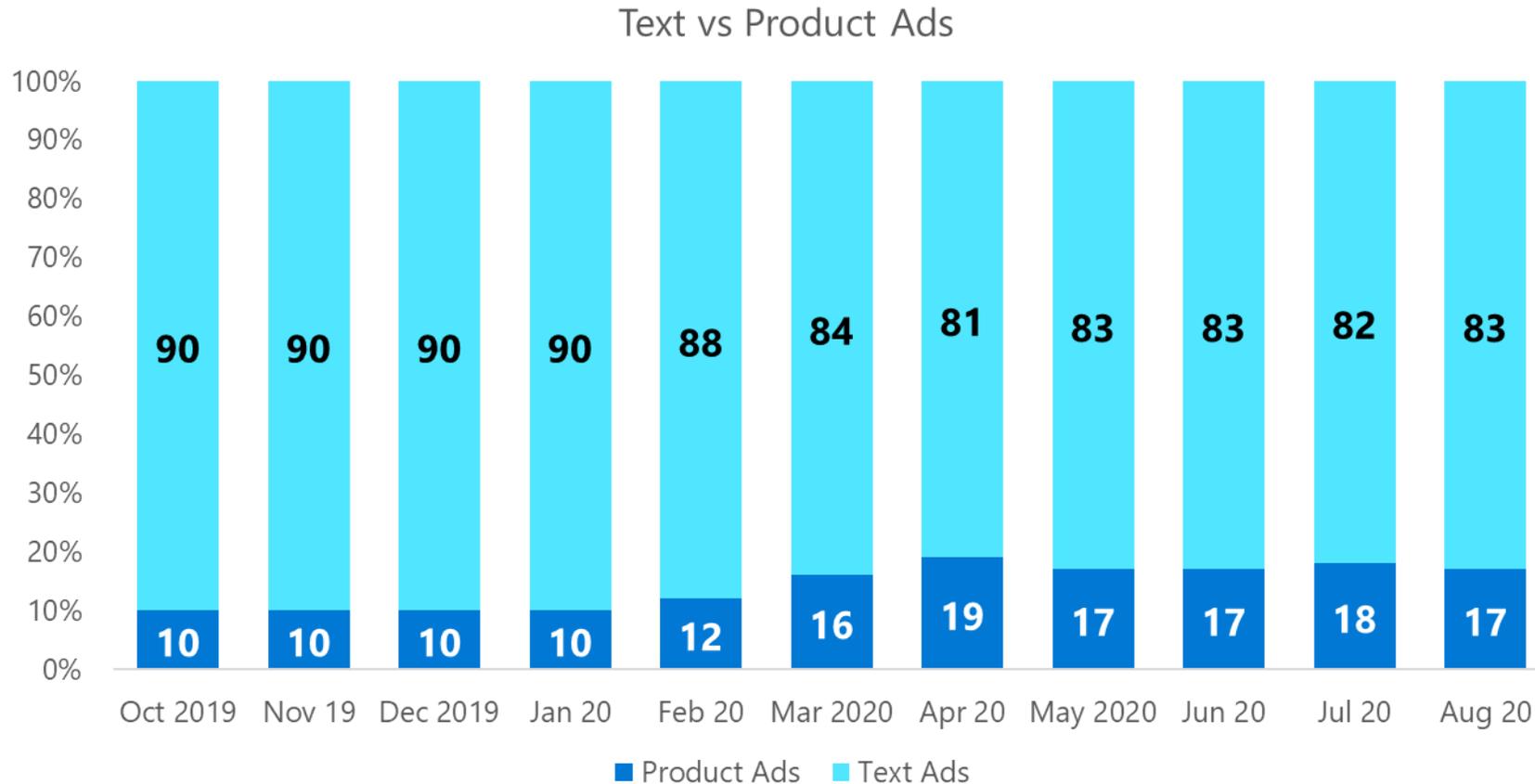


57%

of consumers are willing to change their purchasing habits to help reduce negative environmental impact¹

¹ 'Meet 2020 consumers driving change' IBM Study | ² Microsoft Consumer Survey, May 2020

As people search and browse more, they are **interacting more** with **shopping ads**



- Last year Product Ads accounted for 10% of Retail clicks during the holiday season
- In 2020, Product Ads clicks grew 17% - 19% in recent months
- Expect additional growth during the 2020 holiday season

What can we learn from last year's peak season?



A quick note:

2020 has been a year like never before and COVID-19 has had a profound impact on nearly every aspect of the way we live

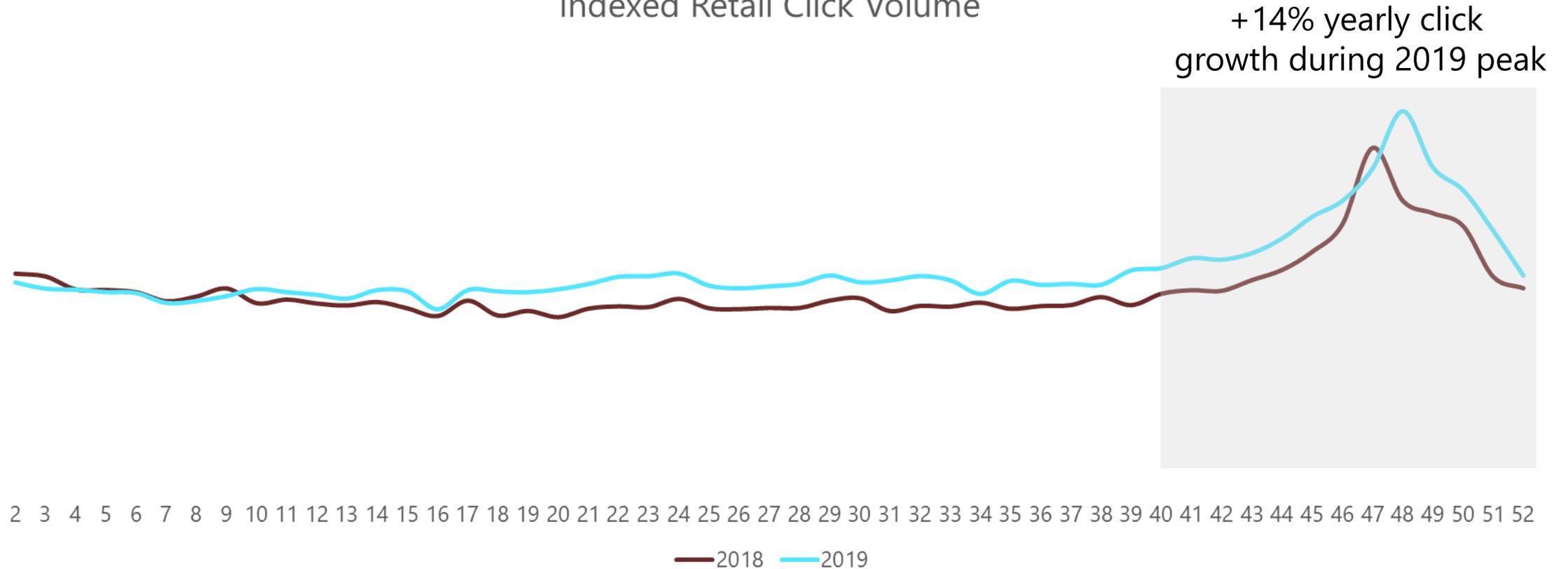
As a result, we don't expect the holiday shopping season in 2020 to look the same as in 2019

However, it is very likely that some of the shopping *patterns* that we've seen in previous years will occur again in 2020.

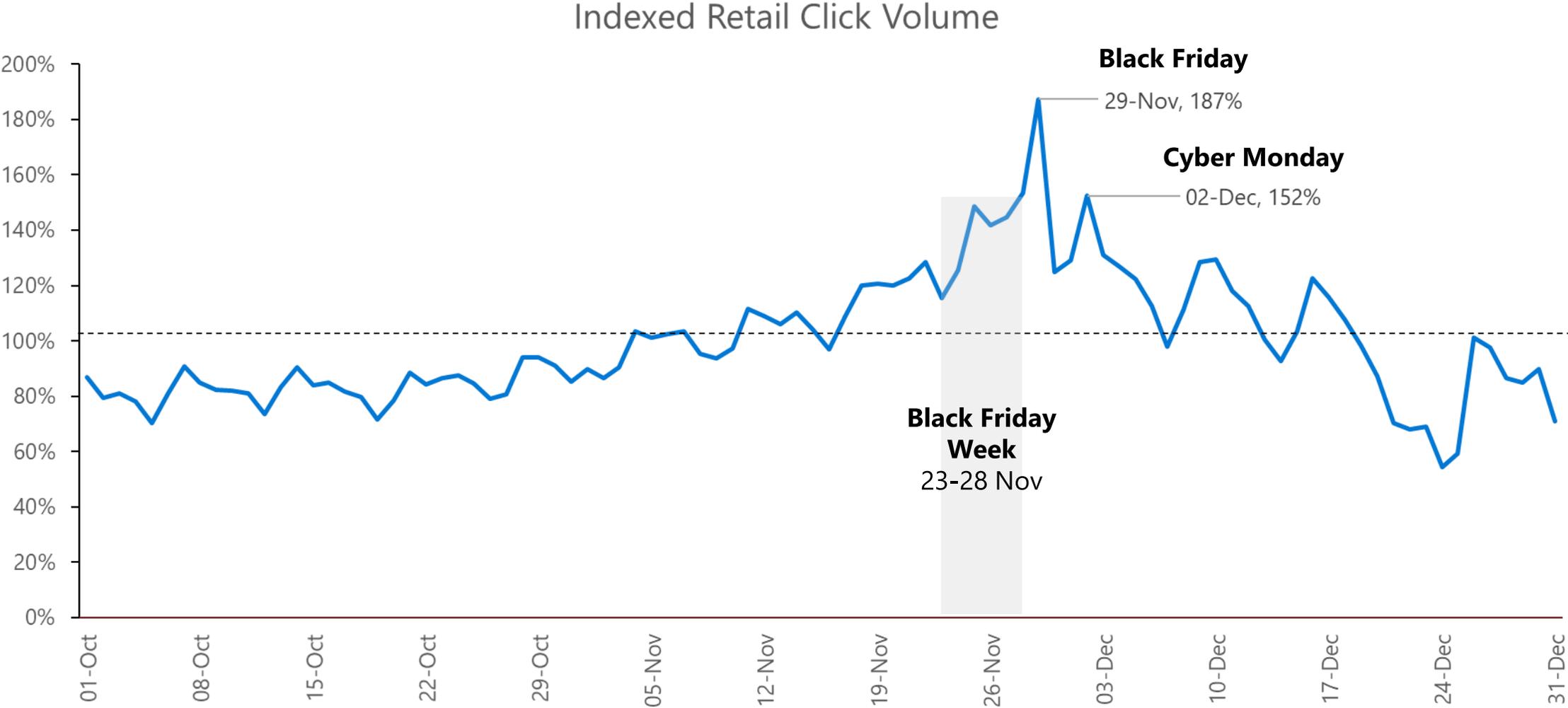
Which is why we think there is value in a quick recap of last year's holiday trends.

Traditionally peak seasons drive high **click volumes**

Indexed Retail Click Volume



Black Friday and Cyber Monday drove the highest clicks

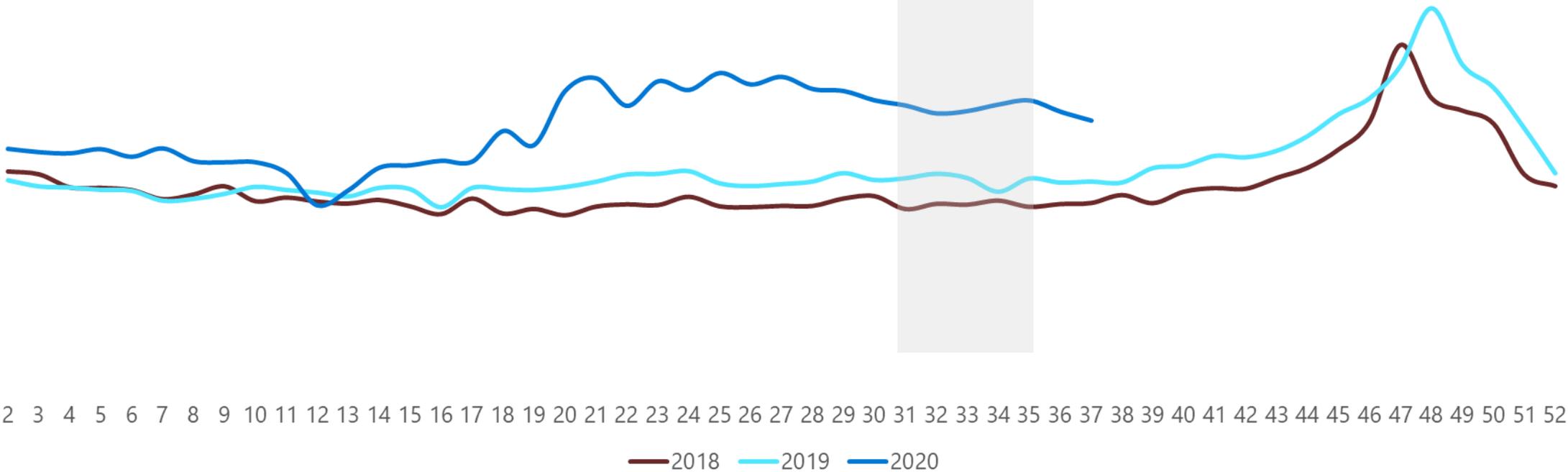


Source: Microsoft Advertising Internal Data, Oct - Nov 2019 Retail categories for UK indexed on daily average

2020 has seen **more clicks** compared to previous years

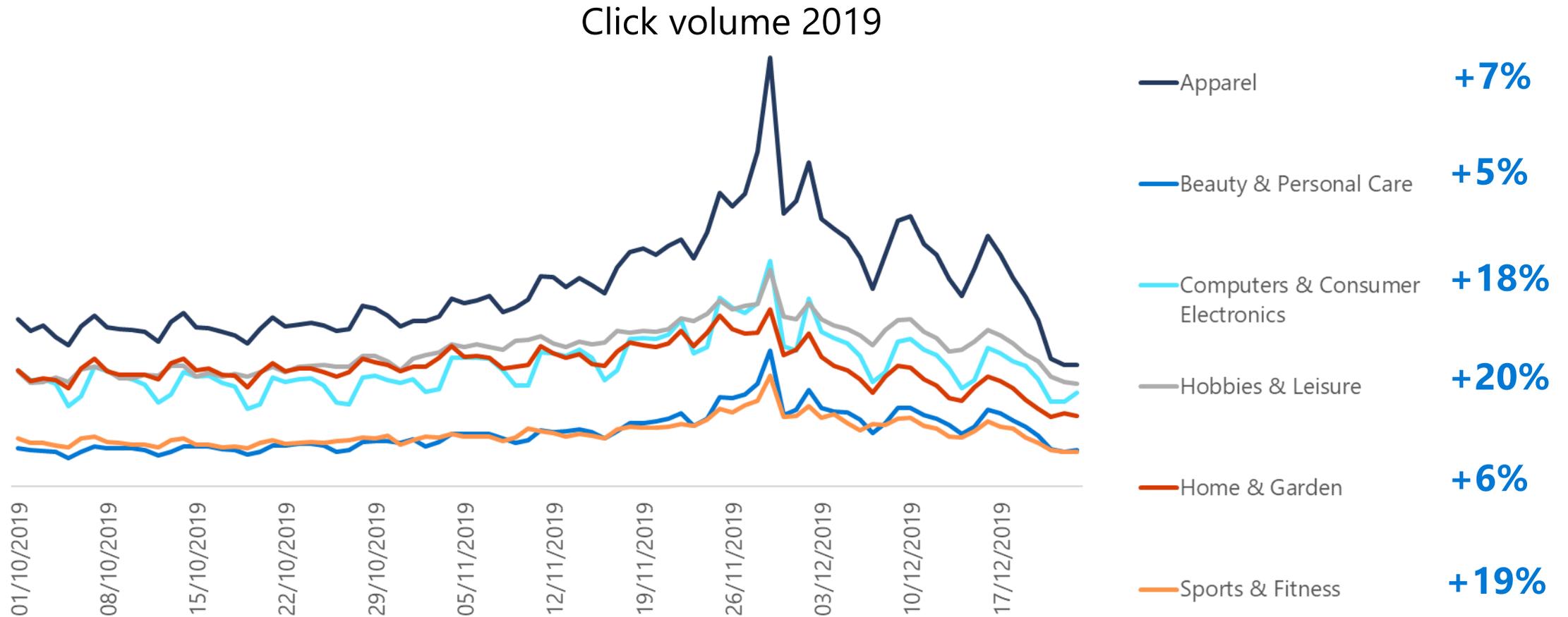
Indexed Retail Click Volume

+36% yearly click growth during August 2020



Source: Microsoft Advertising Internal Data, Jan 2018 – Aug 2020 Retail categories for UK

All verticals saw strong yearly peak season growth in 2019

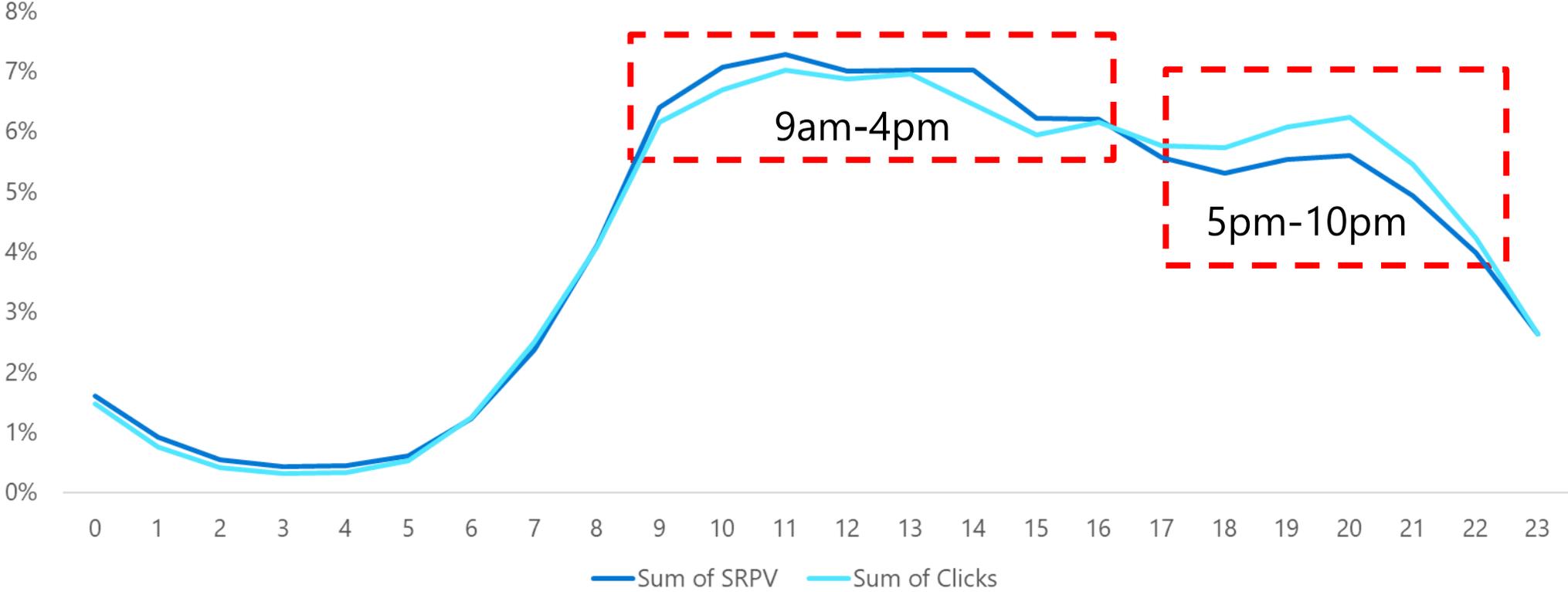


Each vertical had **different top 5 click dates** in the 2019 holiday season

Date	Apparel	Consumer Electronics	Home & Garden	Beauty & Personal Care
November 22			# 4	
November 25	# 4	# 2	# 2	# 5
November 26		# 5	# 3	
November 27	# 5			# 4
November 28	# 2	# 4	# 5	# 2
November 29 – Black Friday	# 1	# 1	# 1	# 1
December 2 – Cyber Monday	# 3	# 3		# 3

On **Black Friday** people **searched earlier** and **clicked later**

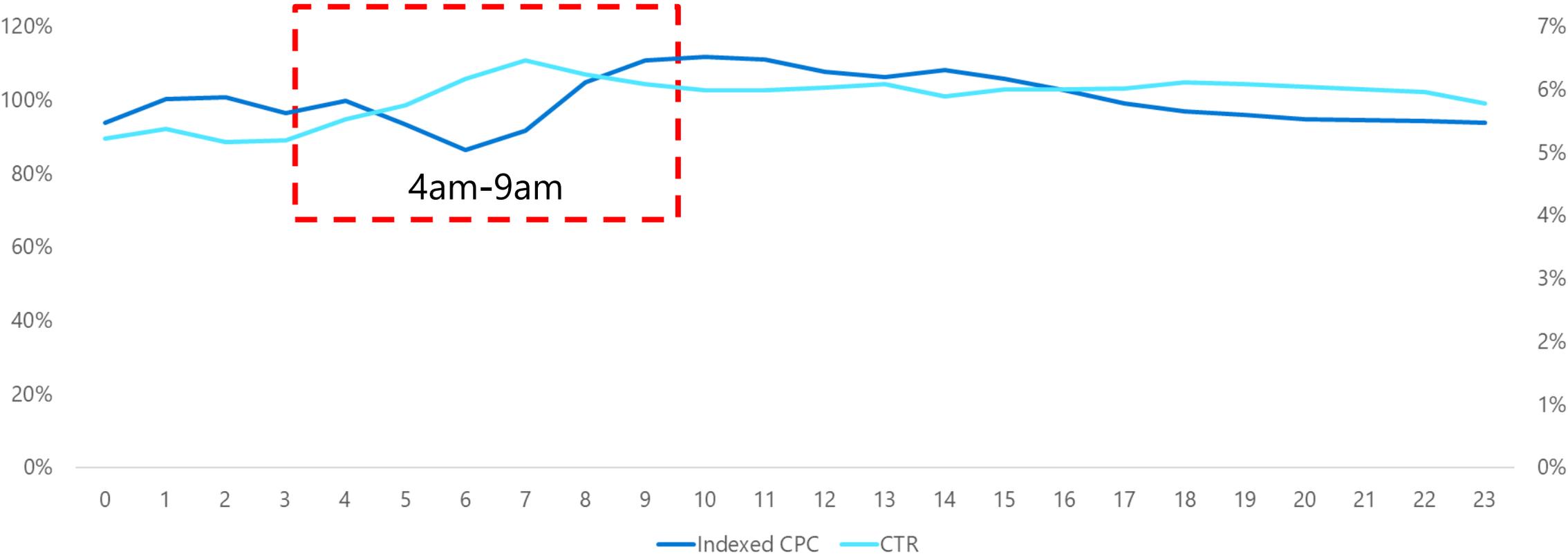
Black Friday Retail Searches vs Clicks



Source: Microsoft Advertising Internal Data, Black Friday 2019 Retail categories for UK

Commuters and early risers drove **click through rate (CTR) up** and **CPC down**

Black Friday Retail CTR vs CPC



Source: Microsoft Advertising Internal Data, Black Friday 2019 Retail categories for UK

What can we expect for
this year's peak season?



This year's key season dates are a little **earlier than 2019**

		2019	2020
#1	Black Friday Week	23 rd – 28 th November	21 st – 26 th November
#2	Black Friday	29 th November	27 th November
#3	Black Friday Weekend	30 th November – 1 st December	28 th – 29 th November
#4	Cyber Monday	2 nd December	30 th November

Consider potential market disruption scenarios



Potential **second wave** of COVID-19 and subsequent additional lockdown restrictions

- Restrictions halt vertical's recovery
- Increase of businesses with improved online setups will enter search auctions, increasing competition

Conservative behaviour

New queries

New behaviours



Markets recover from COVID-19 but then get hit with a **deep recession**

- Budgets may be restricted decreasing competition
- Decrease in consumer confidence may result in less high price point purchases

Time resources

Budgets

Conservative behaviour



No second wave happens, **markets recover**, and the retail market is **rapidly evolved**

- Advertisers slowly return to normal campaign activity
- Initial low competition sub-verticals
- Peak season impacted as long lifetime product spikes happened earlier in the year

Search volume

New queries

New behaviours



Reduced consumer confidence

What this means:

- Consumers are less confident in the economy and are **less likely to make more expensive purchases**

Potential impacts:

- Increase in **comparison searching** and increased **focus on cost** when making purchases
- **Reduction in purchases** on traditional sale days such as Black Friday
- Increased **opportunity** to drive sales **outside of peak times** and away from dominant advertisers



Organically induced change in seasonality

What this means:

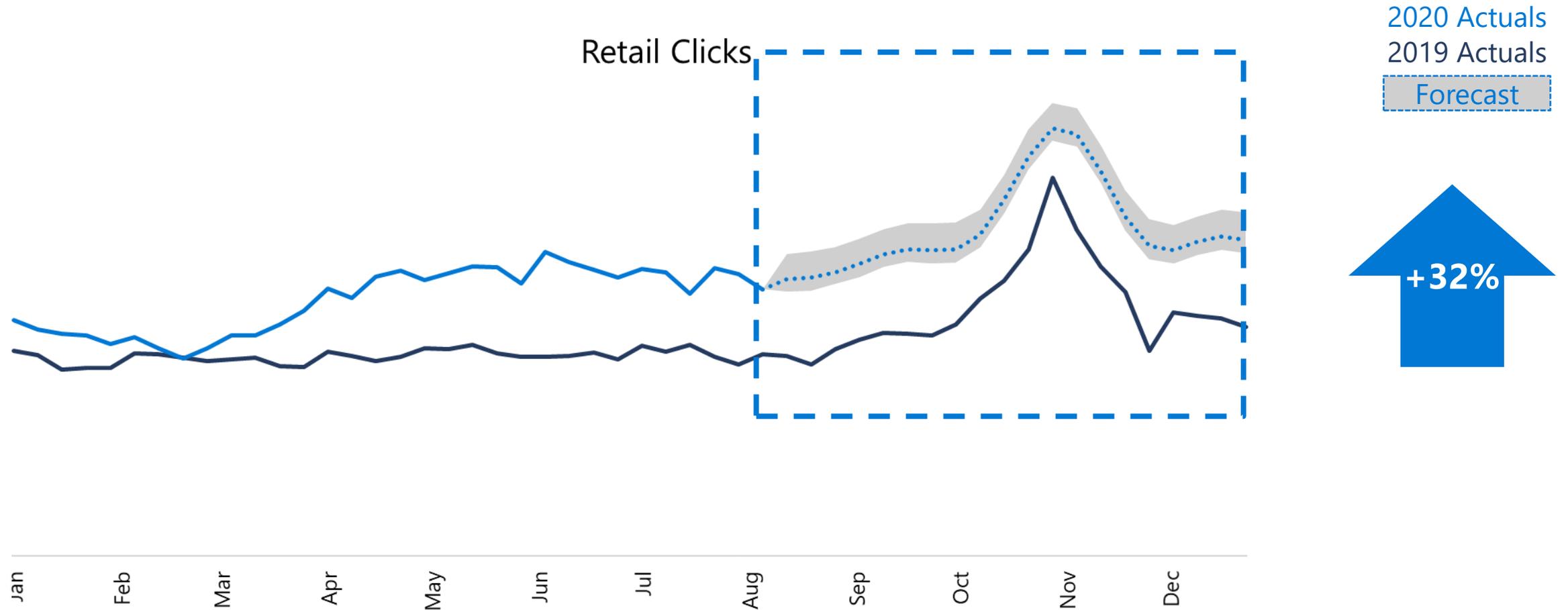
- Products with **longer lifetimes** that generally see a yearly or seasonally based buying cycle have had their **sales seasonality prematurely induced** during lockdown

Potential impacts:

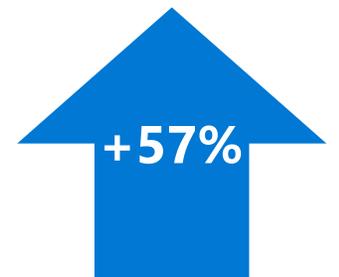
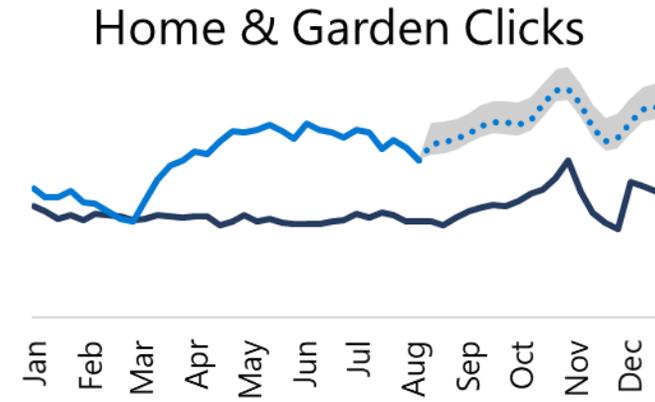
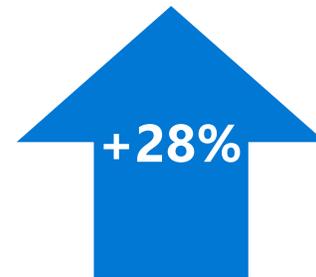
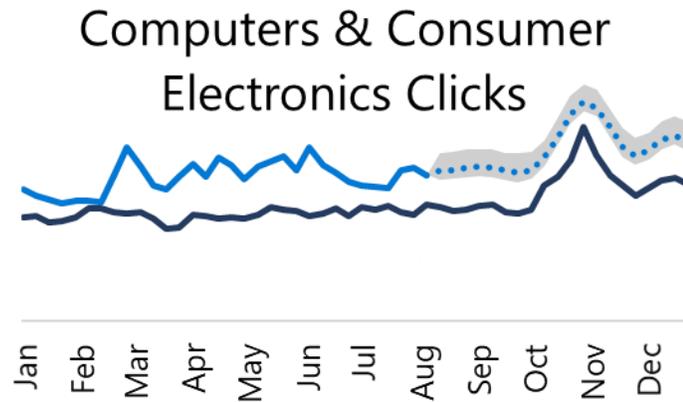
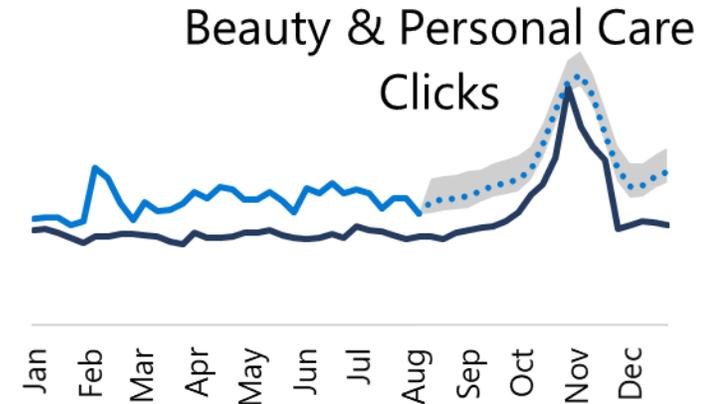
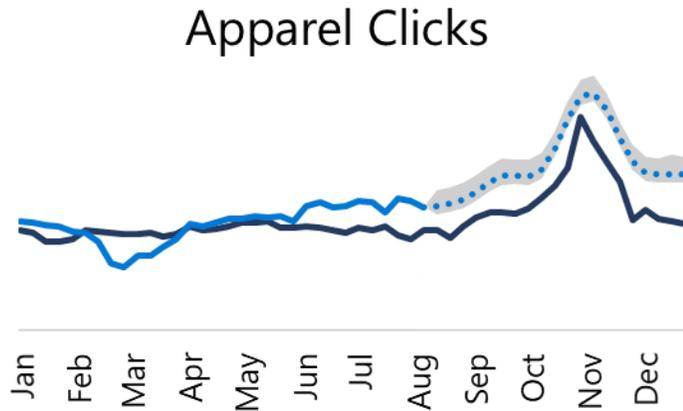
- **Unexpected seasonality**, potential **loss if unprepared** for the change
- Muted sales during peak retail season and a potentially shifted seasonality as a result

Lifetime	1–2 years	3–4 years	5–6 years	7–10 years	> 10 years
Example products	Small electrical appliances, (e.g., tooth-brushes, toys) mobile/smart phones, general clothing, shoes	Portable devices, personal computers, bed items, specific clothing (e.g., sports), bicycles, coats	Cameras, general kitchen-ware, lighting, power tools, vacuum cleaners, washing machines, curtains	Automotive, TVs, kitchen appliances, general furniture, carpets, beds, refrigerators	Appliances attached to house (boiler, sunroof, etc.), kitchen and bathroom, specific furnishings

Retail **click forecasts** are still showing **significant growth**



The same **high growth** is forecasted across top verticals



However growth is dependant on **economic situation**

Potential Impacts of Economic Scenarios

2020 Actuals
2019 Actuals

Forecast

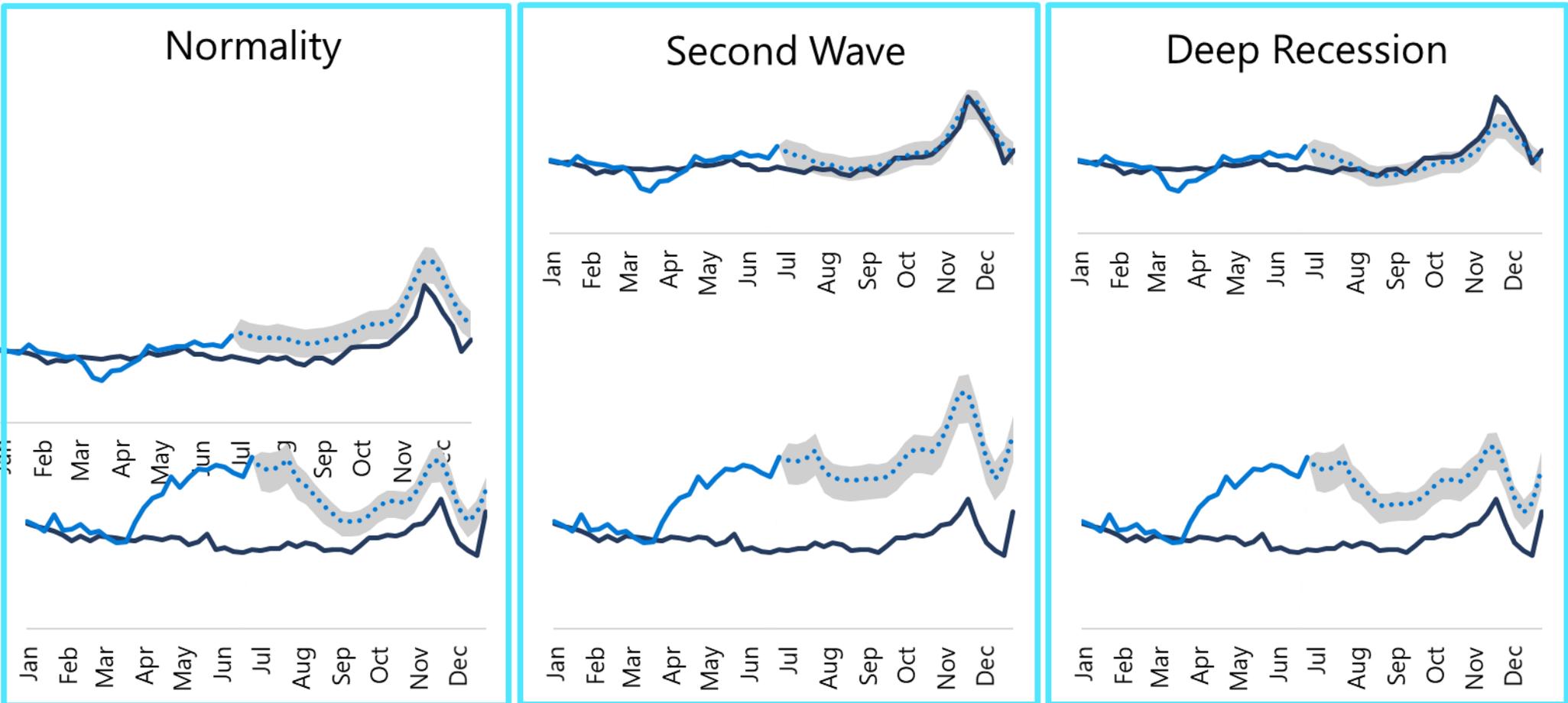
Apparel

Normality

Second Wave

Deep Recession

Home & Garden

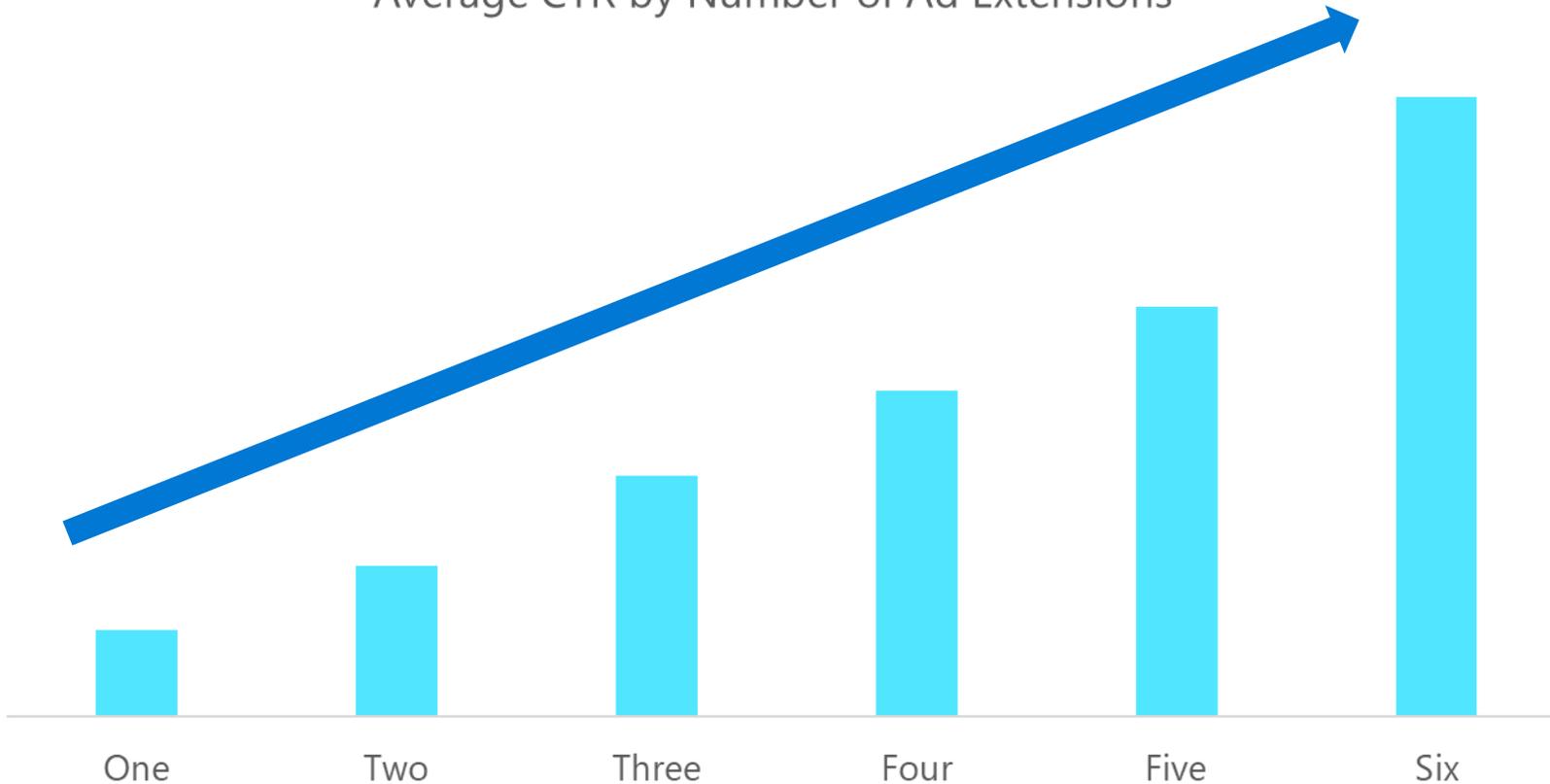


Strategies to succeed



Ads that use **more extensions** see greater **click-through rates**

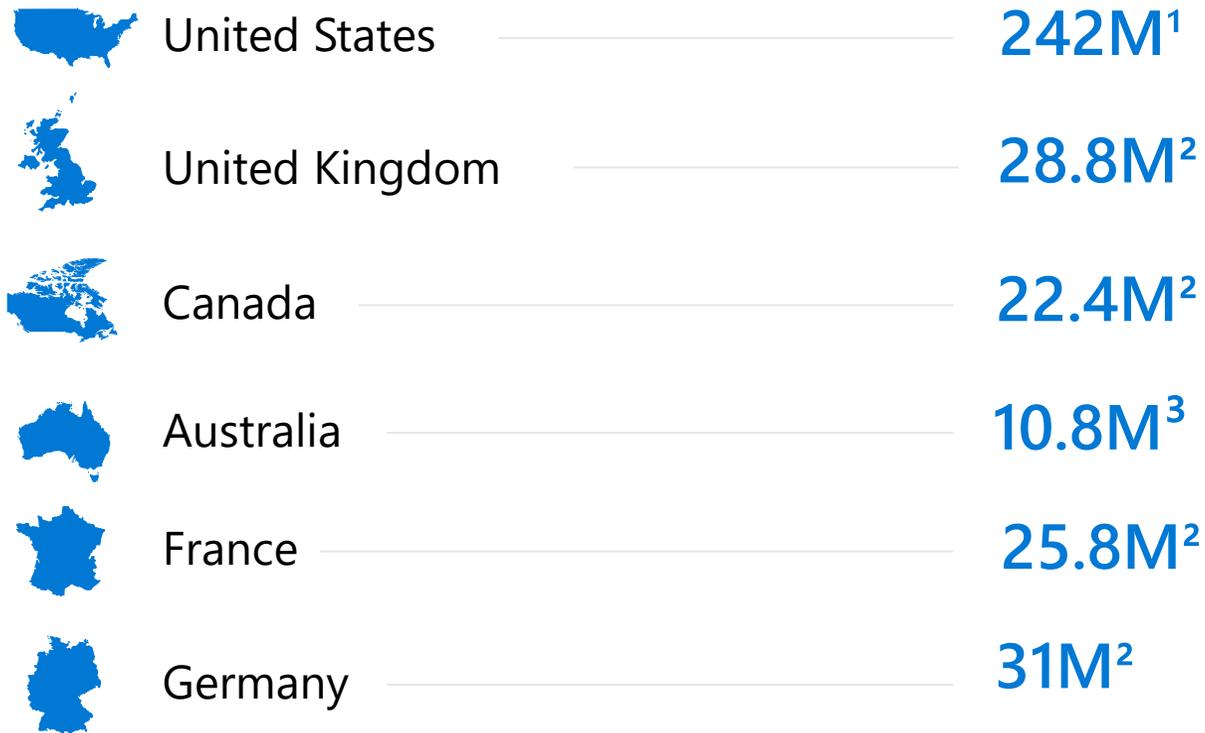
Average CTR by Number of Ad Extensions



With every extension added advertisers have seen a significant increase in click-through rates

Leverage the **Microsoft Audience Network** to effectively reach and influence consumers

Using the Microsoft Audience Network allows you to **expand your reach** connecting you with millions of potential customers



1. comScore, Microsoft Audience Platform Report, December 2019. Numbers are rounded to the nearest percentage point.

2. comScore, Multi-Platform, May 2020. Numbers are rounded to the nearest percentage point.

3. comScore, Microsoft Audience Platform Report, August 2018. Australia desktop. Numbers are rounded to the nearest percentage point.

Note: Microsoft Audience Ads in Australia will be generally available as an extension to search campaign on August 18. Microsoft Audience Ads in France and Germany will be launched on September 8 as an extension to search campaign.



Use Product Audiences for increased performance

On average, our retailer clients using Product Audiences on the Microsoft Audience Network during the 2019 holiday season saw greater results¹

30%

Higher CTR¹

38%

Lower CPA¹

72%

Higher CVR¹



Highly relevant to the audience



Boosted performance

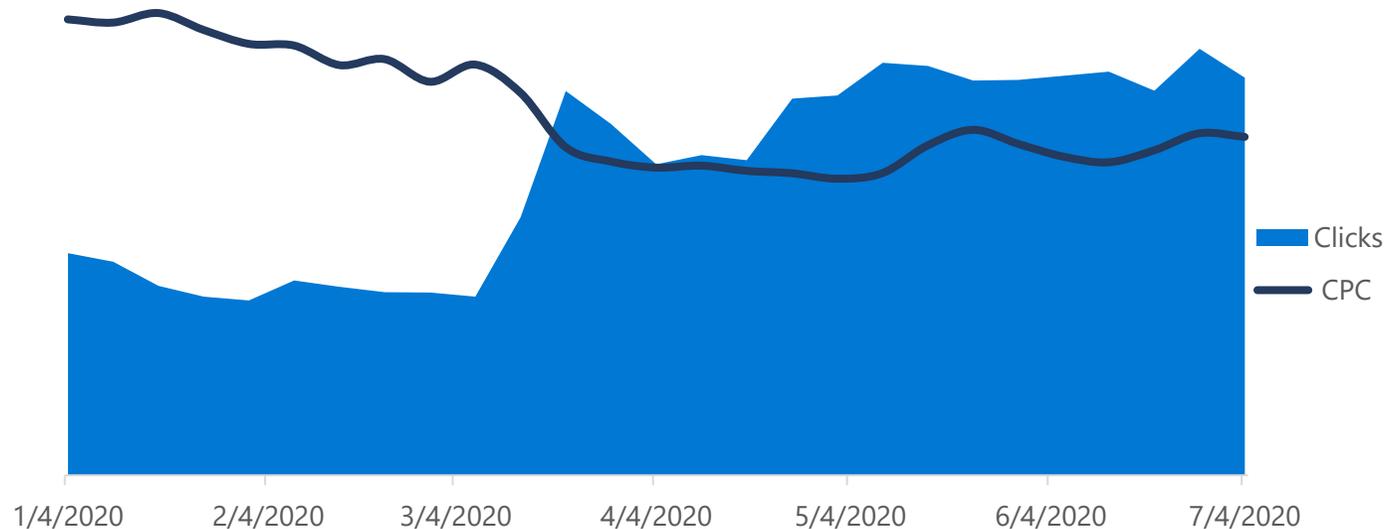


Easy to use

1. Microsoft Internal Data, CTR for our clients on the Microsoft Audience Network using Product Audiences versus our native marketplace overall CTR, 17th November, 2019 to 28th December, 2019.

Microsoft Audience Network **click volume** continues to **trend upward** for Retail while key performance indicators improve

UK Microsoft Audience Network Retail
click volume and CPC



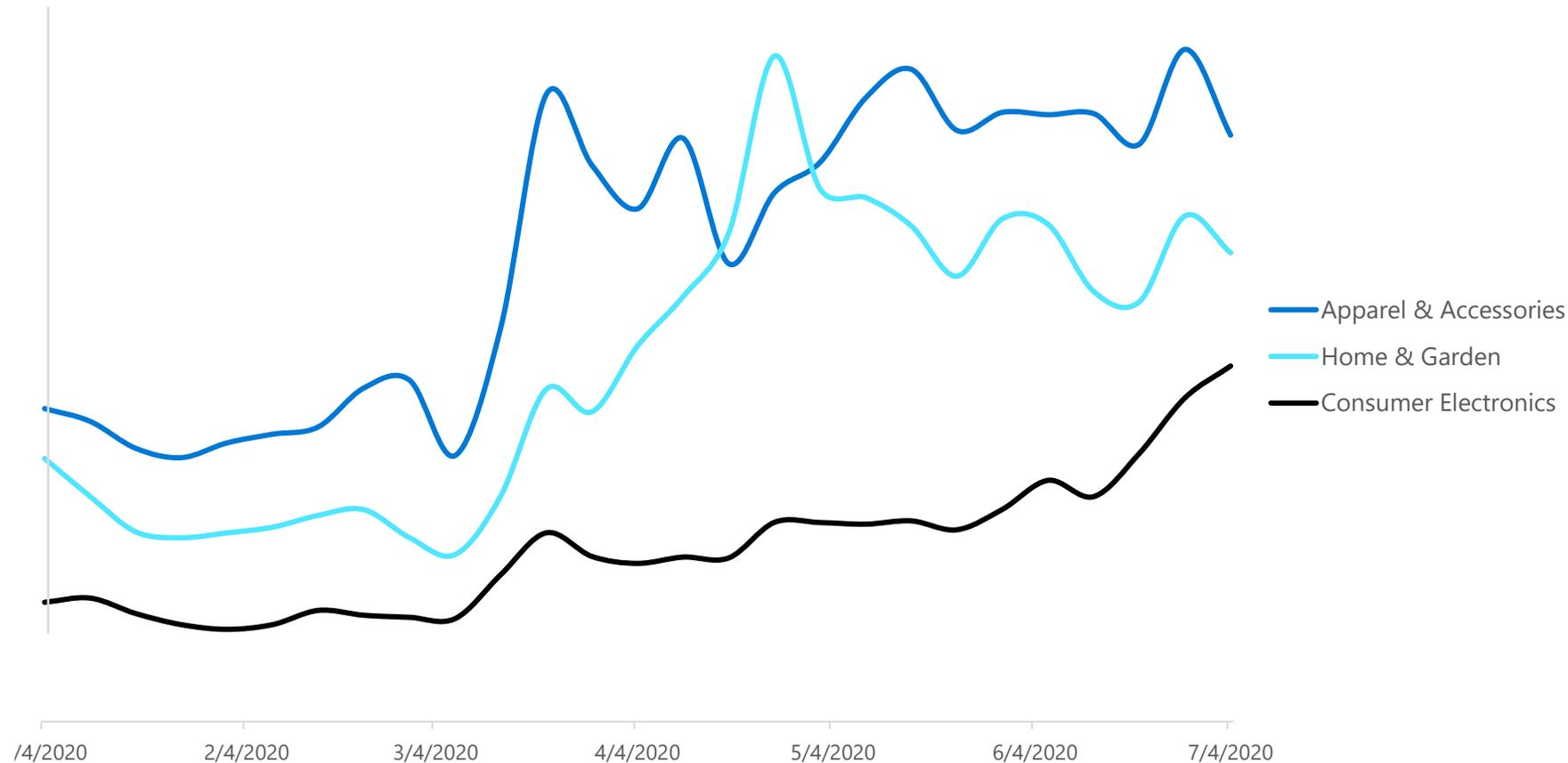
Advertisers continue to increase investment in the Microsoft Audience Network, as efficiencies improve due to more users engaging with our premium placements – ***ensure you have strong coverage as more users shop online this holiday season***



Apparel, Home & Garden, and Consumer Electronics drive the **most clicks** for the Microsoft Audience Network



UK Microsoft Audience Network clicks

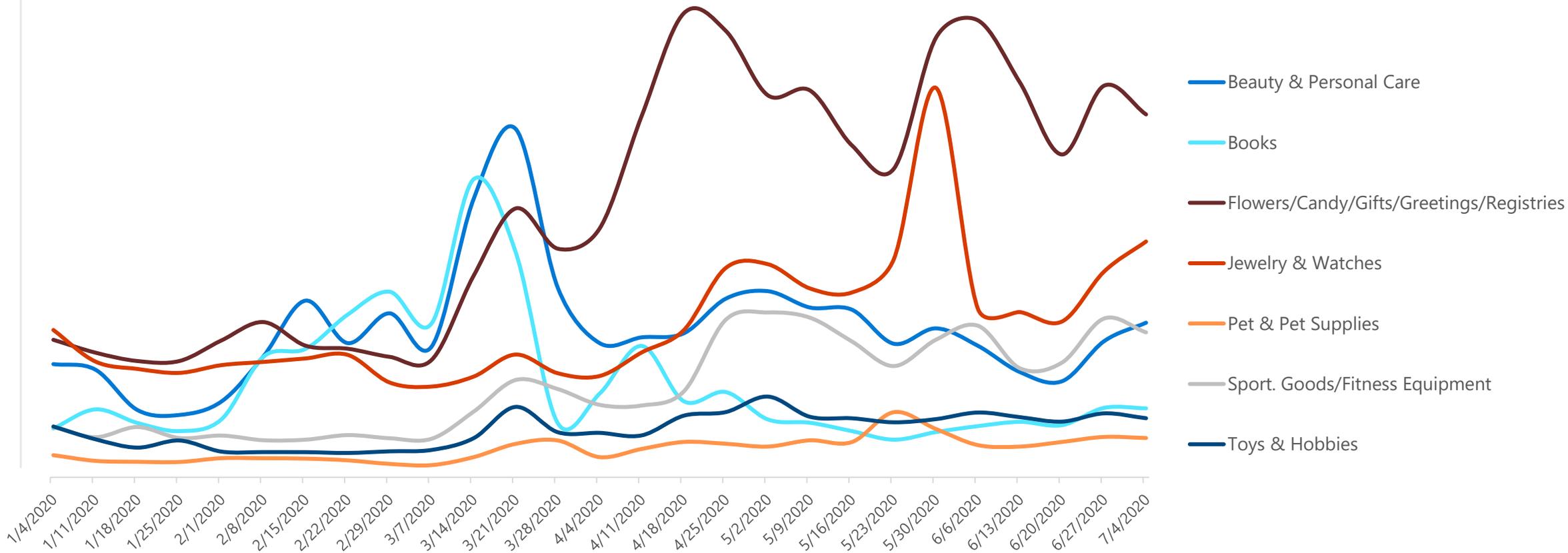


These retail categories made up **28%**, **22%**, and **12%** of total clicks respectively during June

Leverage Product Audiences to target categories that are top of mind for consumers

Other top of mind categories in Retail for holiday continue to see an increase in Microsoft Audience Network clicks as well

UK Microsoft Audience Network clicks



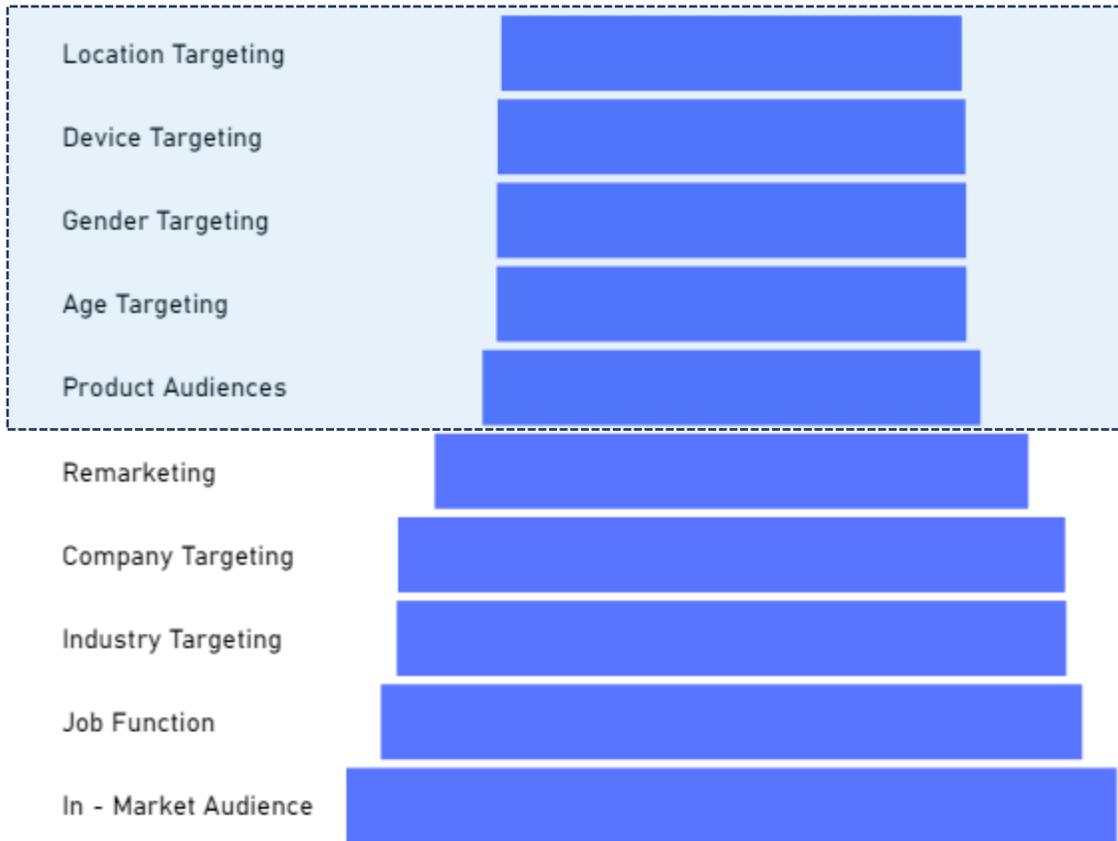
Microsoft Advertising; 2020, UK
1. Excludes Apparel & Accessories, Home & Garden, and Consumer Electronics due to volume



Activate **across targeting features** to maximize **reach & click volume**

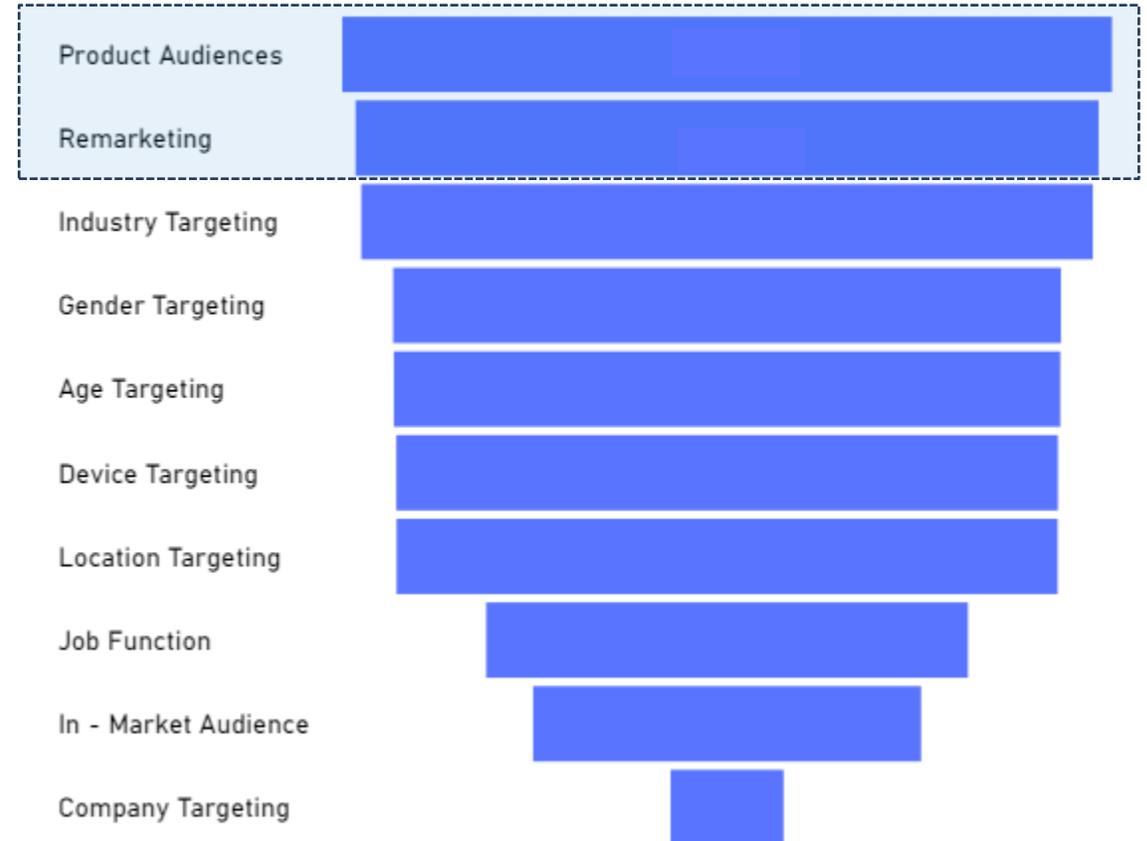
Target + Bid audiences separately with image-based ads or layer audiences as bid-only on feed-based ads using bid modifiers¹

Feature CPC



Location, Device, Demographic targeting, and Product Audiences offer **below average CPC** for UK Retail

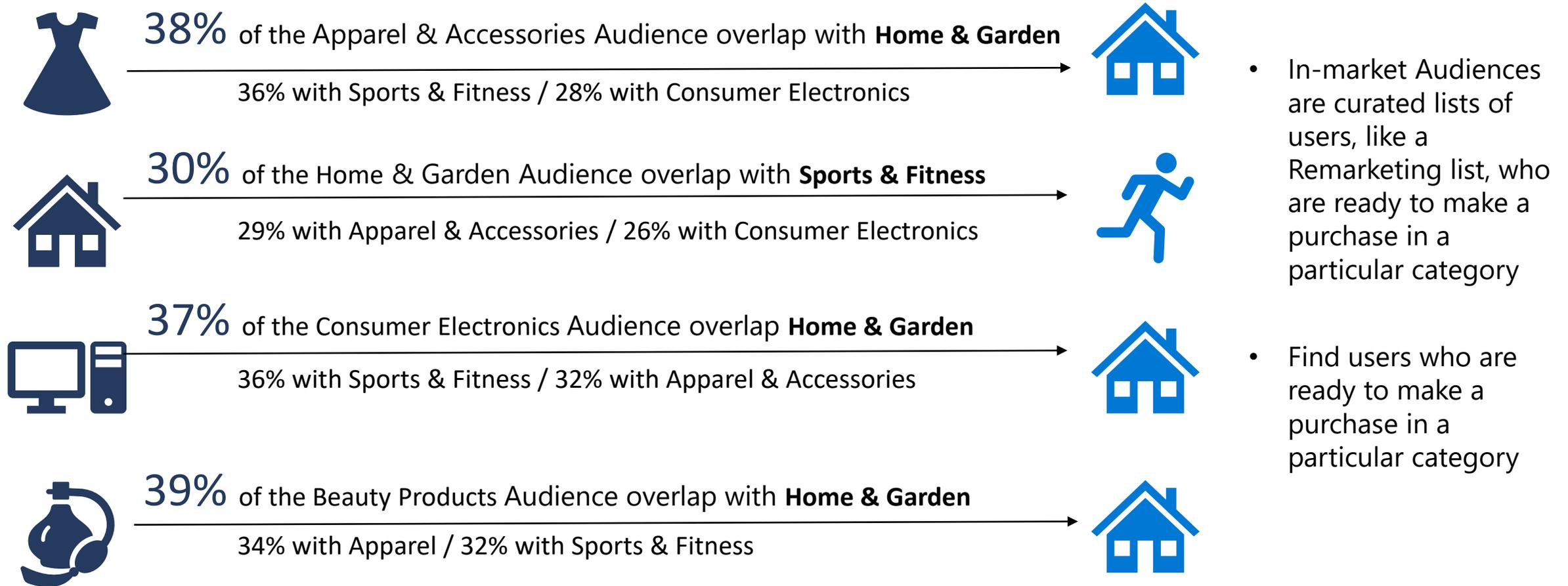
Feature CTR



Product Audiences and Remarketing offer **above average CTR** for UK Retail

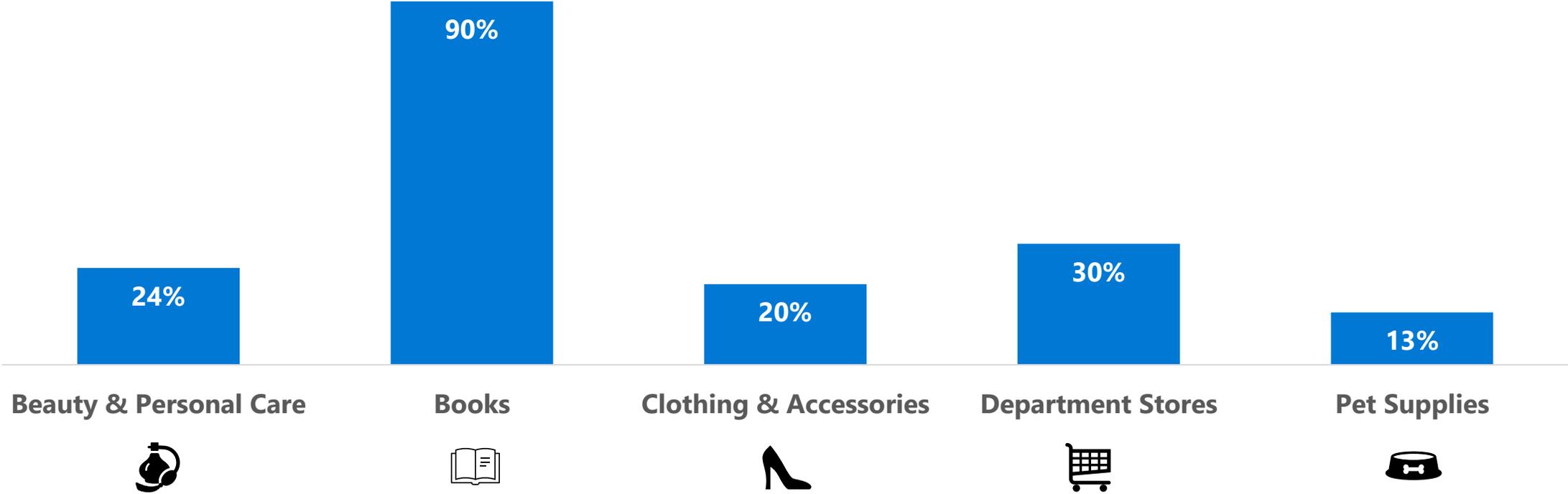
Utilise **In-market Audiences** to drive efficiency

Expand your audience list with **In-market Audiences**



In-market Audiences create **higher conversions rates**

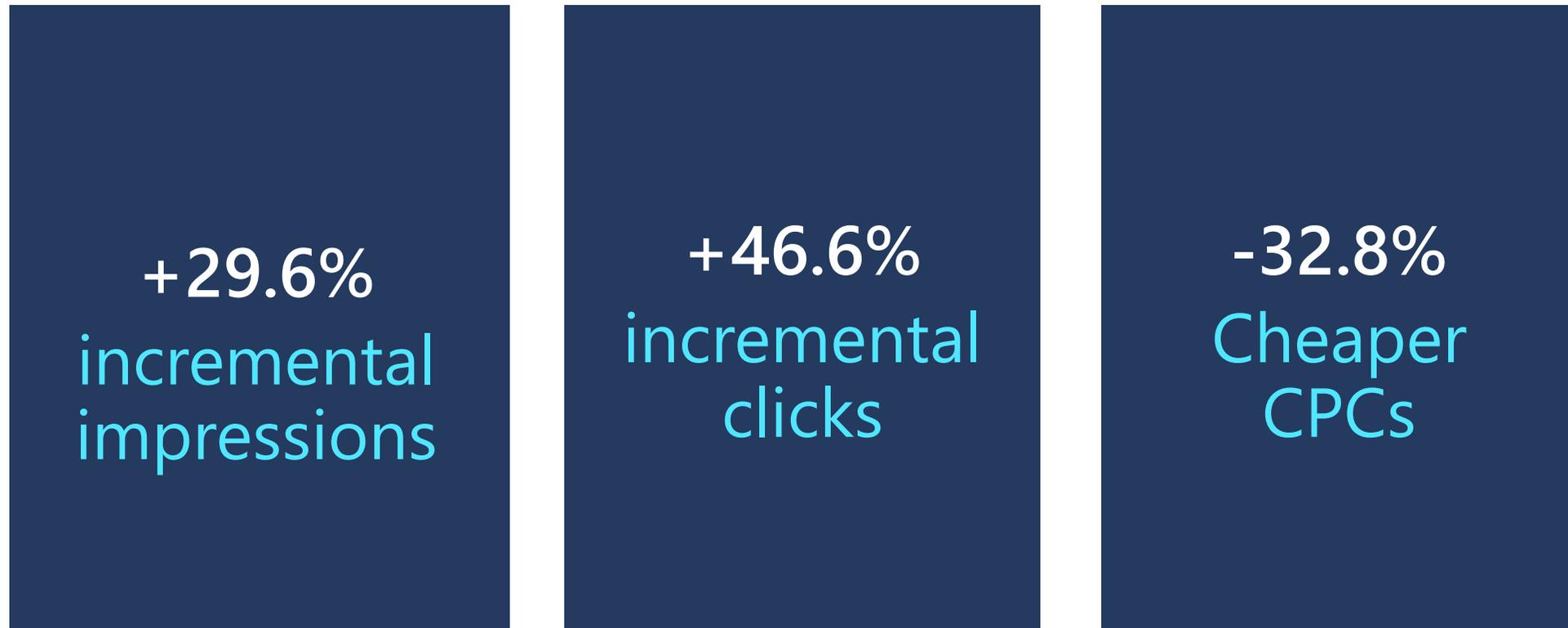
Conversion rate uplift with In-market Audiences
(EMEA, July 2020)



Source: Microsoft Internal Data; July 2020; EMEA

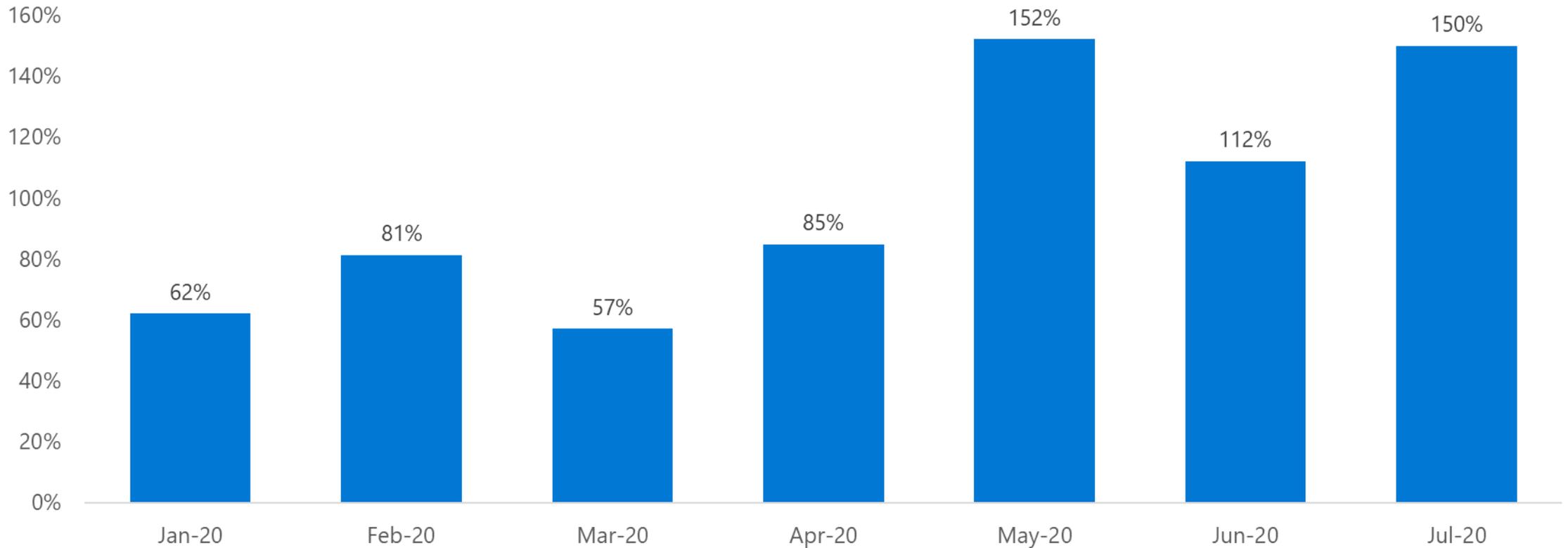
Leverage Microsoft automated advertising solutions to effectively and efficiently manage your campaigns

Use **Dynamic Search Ads** to capture new searches



Dynamic Search Ads retail click volume has surged during lockdown, growing by 74% quarter on quarter

Indexed Retail Click Volume driven by Dynamic Search Ads



Recommendations



How can I respond to these market disruptions?



Search volume

Use the Microsoft Audience Network to expand your reach

Audience network clicks have drastically increased post-lockdown and efficiency means lower CPCs. Adopt into or focus on expanding your Audience Network activity to expand your reach, improve CTRs and achieve more efficient CPAs.



New queries

Use a broad approach to capture new emerging queries and interest areas:

Use features like Dynamic Search Ads and Broad Keywords with campaign budgets set to cast your net wide. This will allow you to catch new queries to our network in a cost-effective way. And don't forget about new products such as the Microsoft Audience Network.



New behaviours



Time resources

Implement remarketing for recent visitors:

Create remarketing lists with varying time ranges (e.g. 1, 3, 7, 14 days) to target consumers that start to investigate new product areas



Budgets

Manage time and budget needed with automated bidding strategies:

Automated bidding helps you to stay on top of the dynamic marketplace, use Enhanced CPC when minimal threshold conversion volume for conversion-based strategies is not met manage campaign performance efficiently.



Conservative behaviour



Microsoft Advertising. Intelligent connections.