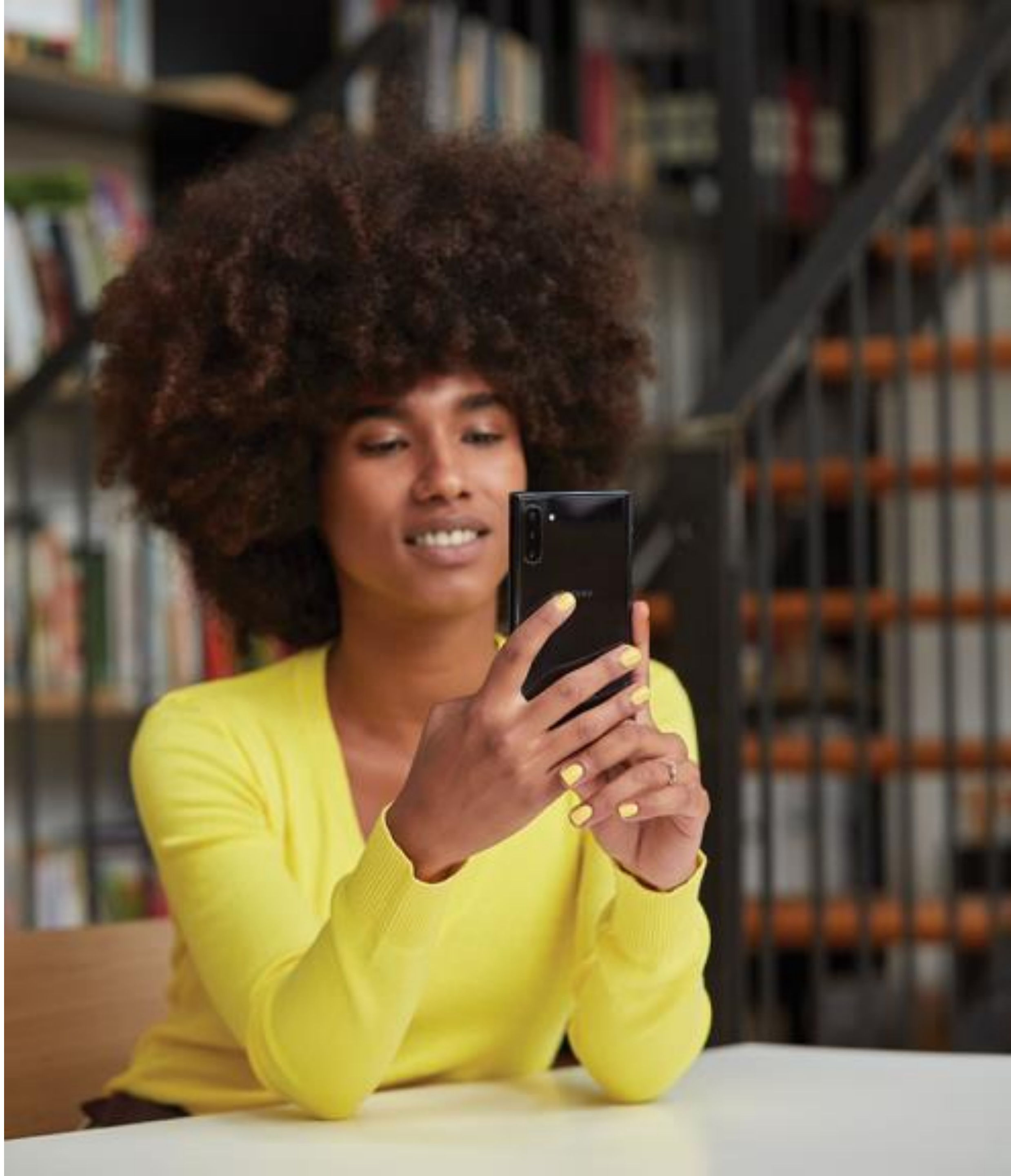
Telco device launch: July comparison analysis

Tech & Telco

Microsoft Advertising. Intelligent connections.



GOAL: Provide direction for a COVID-19 impacted holiday season using July as a proxy

Why July?

We are using July 2020 data in a COVID-19 era as a proxy for search behavior we may see during the holiday season this year. July is typically a higher volume month for Tech & Telco compared to June and August, which is why we believe July is statistically more significant to help guide our insights. Our guidance is dependent on the current COVID-19 and economic environments not changing significantly in the next few months.

Microsoft

Contents

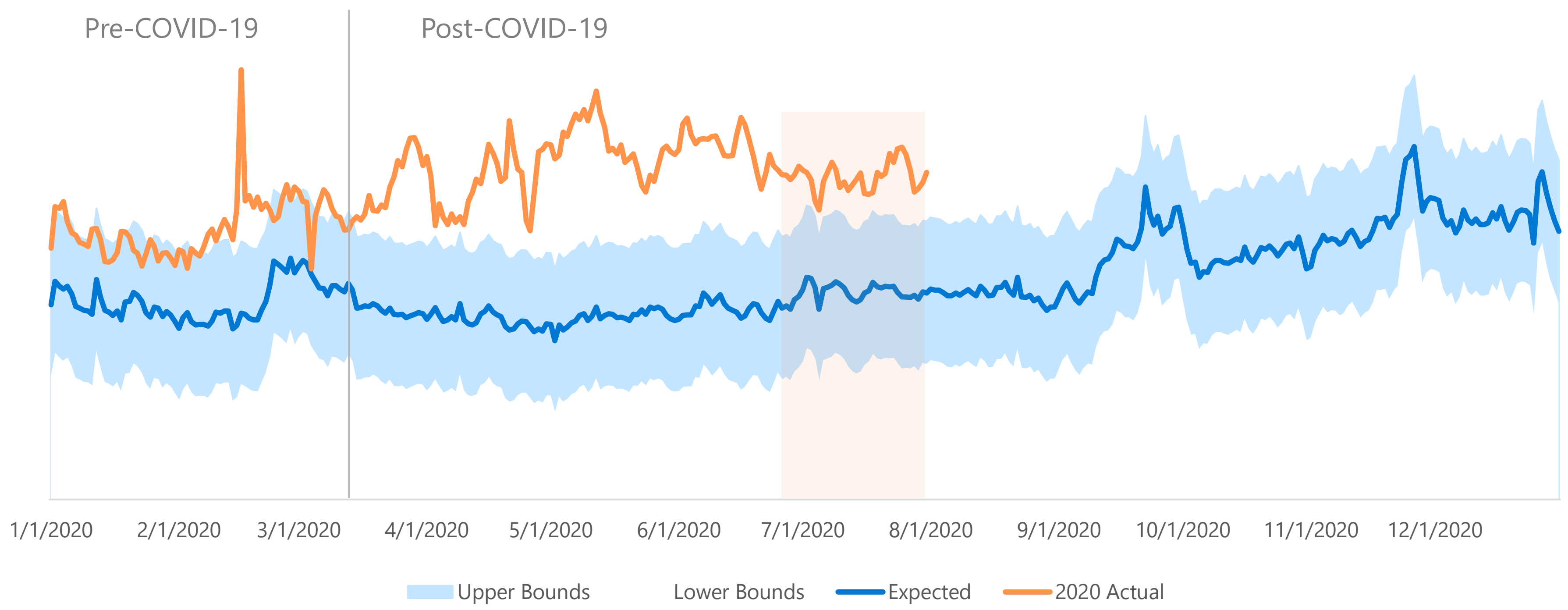
*YoY = year over year

Expectations and YoY comparisons

How does 2020 compare to “normal” times, or what was expected pre-COVID-19?

Smartphone searches have been trending above expected normal since the lockdowns in March

Search volume over time for 2020 compared to "normal" for smartphones



Expected data, along with the upper and lower bounds, represent the normal seasonality and its volatility bands (pre-COVID-19) since 2018 adjusted for the growth or decline in 2020. We're using July's typical Tech & Telco boost as a proxy for what we may see during the holidays post COVID-19.

Proprietary Microsoft Advertising Source Data

Smartphones

YoY change for July

-23%
YoY cost-per-click (CPC) change

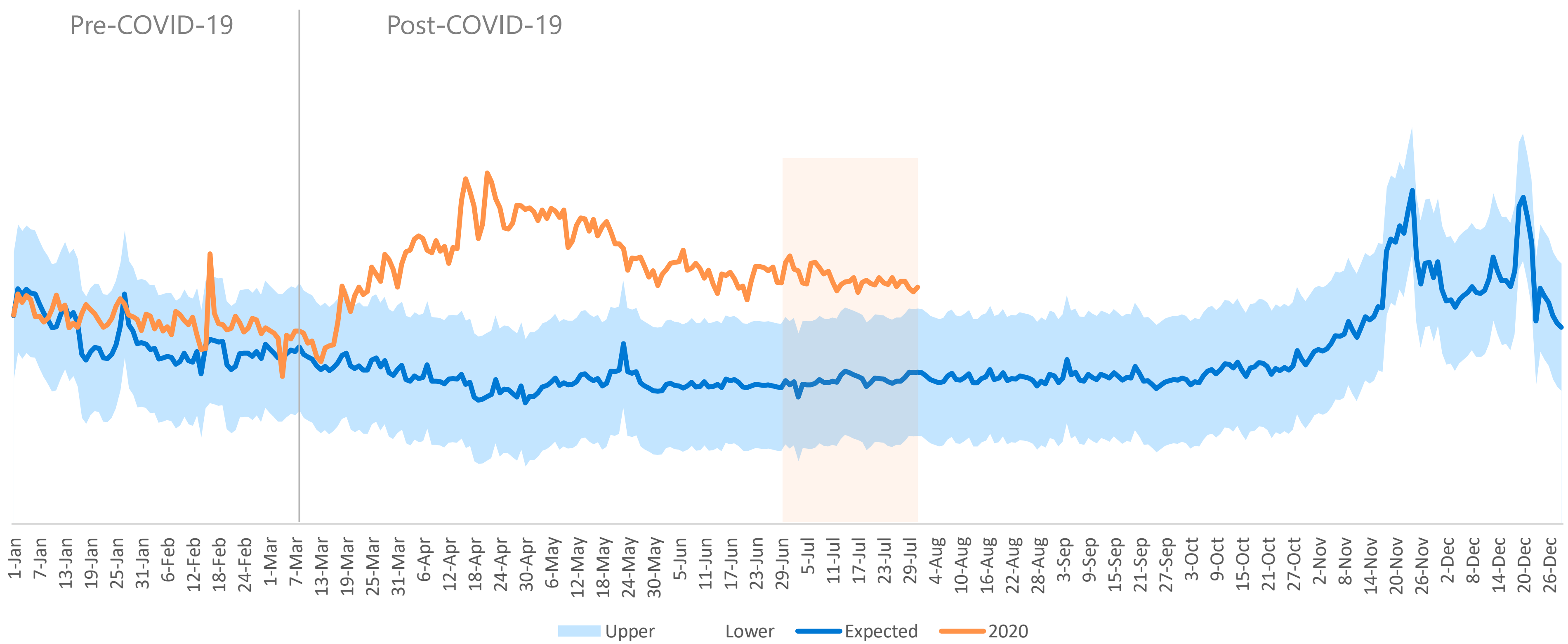
+27%
YoY click growth

+43%
YoY impression growth

Microsoft

Tablet searches grew after the onset of COVID-19 and saw YoY click and impression growth

Search volume over time for 2020 compared to “normal” for tablets



Expected data, along with the upper and lower bounds, represent the normal seasonality and its volatility bands (pre-COVID-19) since 2018 adjusted for the growth or decline in 2020. We're using July's typical Tech & Telco boost as a proxy for what we may see during the holidays post COVID-19.

Proprietary Microsoft Advertising Source Data

Tablets

YoY change for July

-15%
YoY CPC change

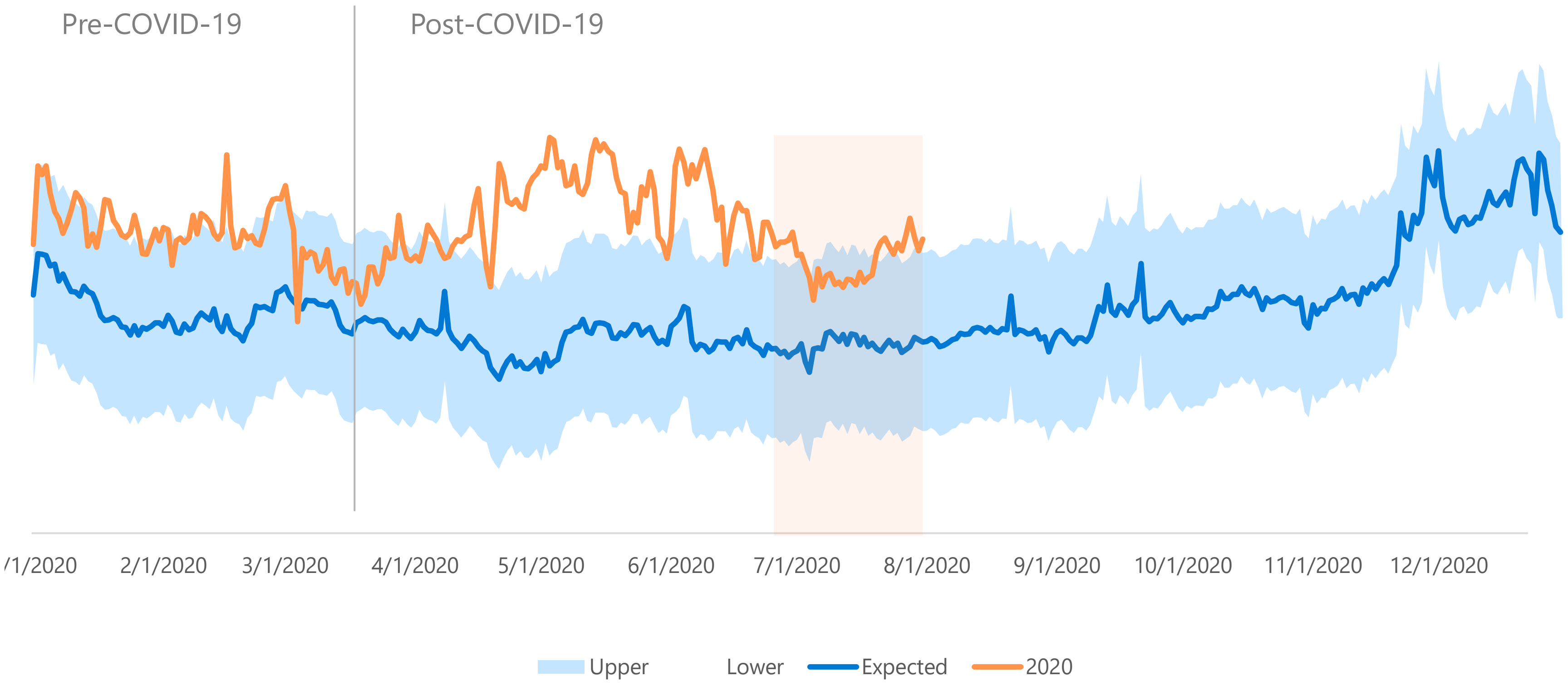
+43%
YoY click growth

+42%
YoY impression growth

Microsoft

Wearables searches have been trending above or within the expected normal range since March

Search volume over time for 2020 compared to "normal" for wearables



Expected data, along with the upper and lower bounds, represent the normal seasonality and its volatility bands (pre-COVID-19) since 2018 adjusted for the growth or decline in 2020. We're using July's typical Tech & Telco boost as a proxy for what we may see during the holidays post COVID-19.

Proprietary Microsoft Advertising Source Data

Wearables

YoY change for July

+28%
YoY CPC change

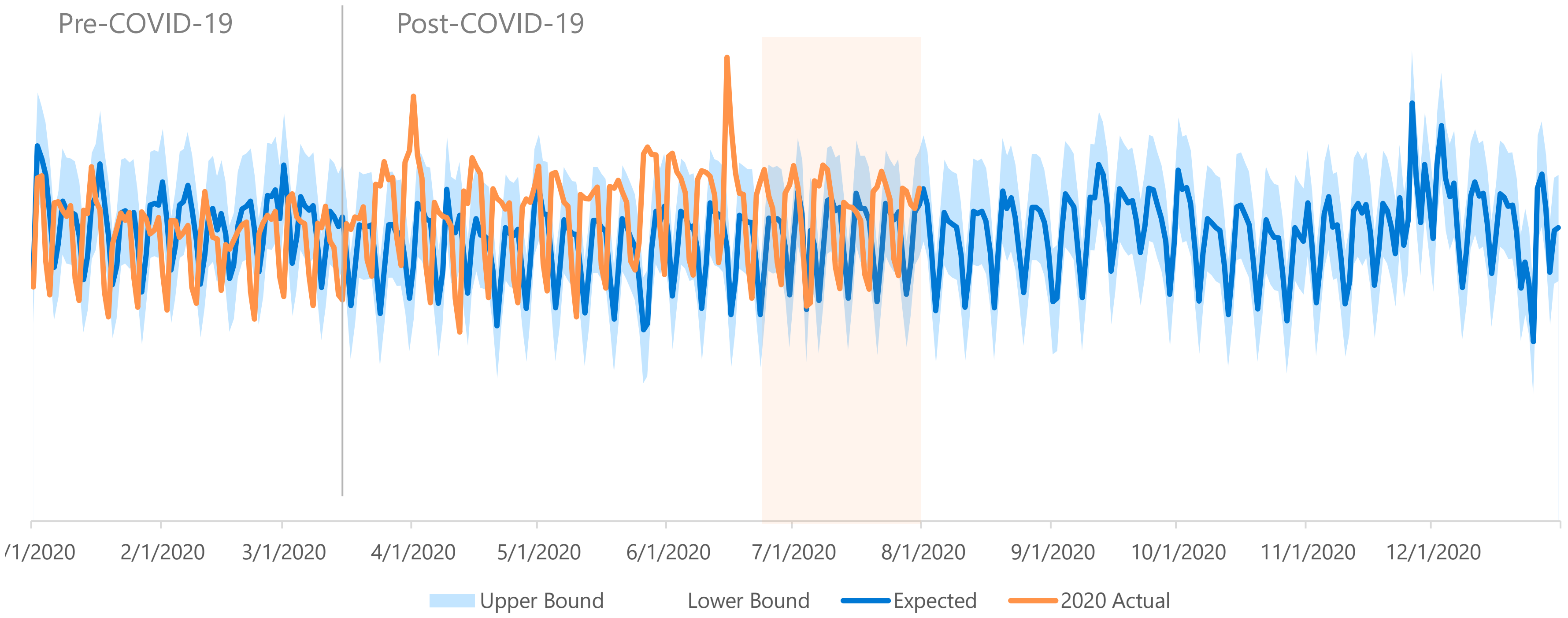
-9%
YoY click growth

+1.4%
YoY impression growth

Microsoft

Searches for carrier terms have increased since COVID-19 but may remain within the expected range during holiday

Search volume over time for 2020 compared to "normal" for carriers



Expected data, along with the upper and lower bounds, represent the normal seasonality and its volatility bands (pre-COVID-19) since 2018 adjusted for the growth or decline in 2020. We're using July's typical Tech & Telco boost as a proxy for what we may see during the holidays post COVID-19.

Proprietary Microsoft Advertising Source Data

Carriers

YoY change for July

-11%
YoY CPC change

+13%
YoY click growth

+33%
YoY impression growth

Microsoft

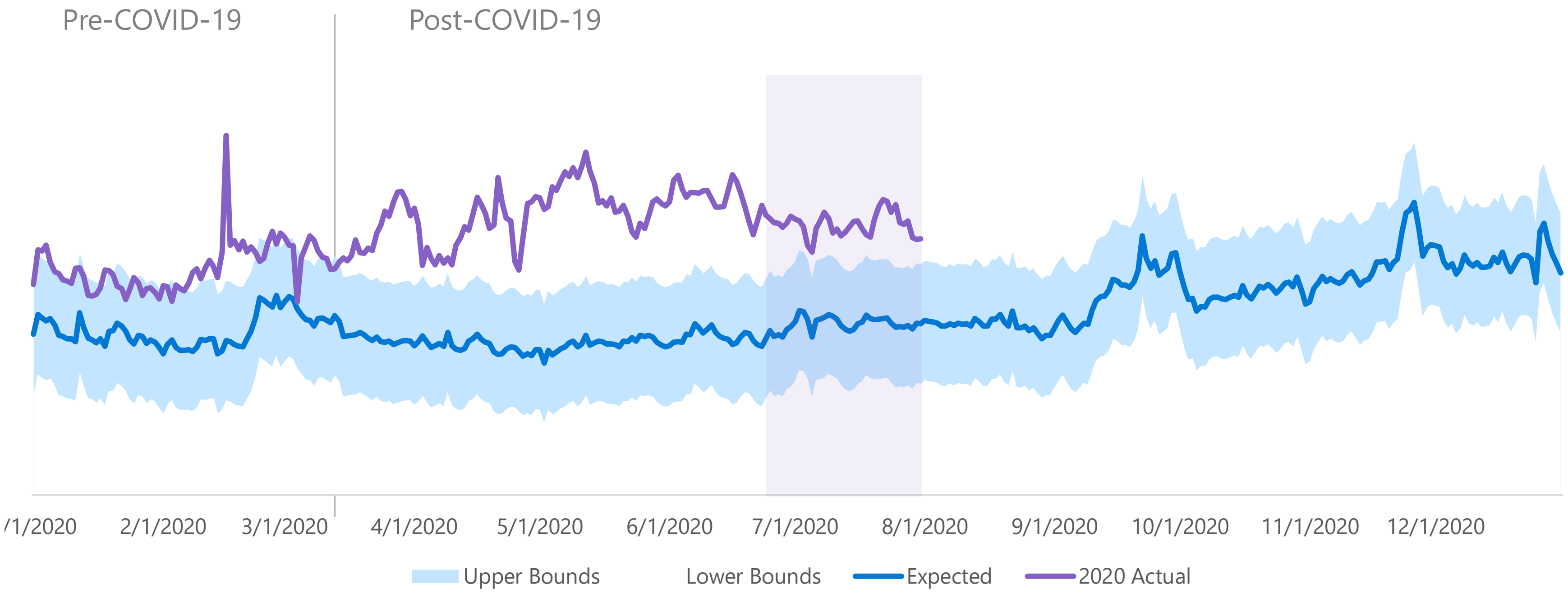
Product Ads: 2020 vs. expectations

How are Product Ads for smartphones, tablets, and wearables performing this year compared to years prior?

Microsoft

Smartphone product ads have been trending above the expected normal range in the post-COVID-19 environment

<u>Product Ad</u> search volume over time for 2020 compared to “normal” for Smartphones



Expected data, along with the upper and lower bounds, represent the normal seasonality and its volatility bands (pre-COVID-19) since 2018 adjusted for the growth or decline in 2020. We're using July's typical Tech-Telco boost as a proxy for what we may see during the holiday's post COVID-19.

Proprietary Microsoft Advertising Source Data

Smartphone (Product Ads)

YoY change for July

+53% YoY CPC change

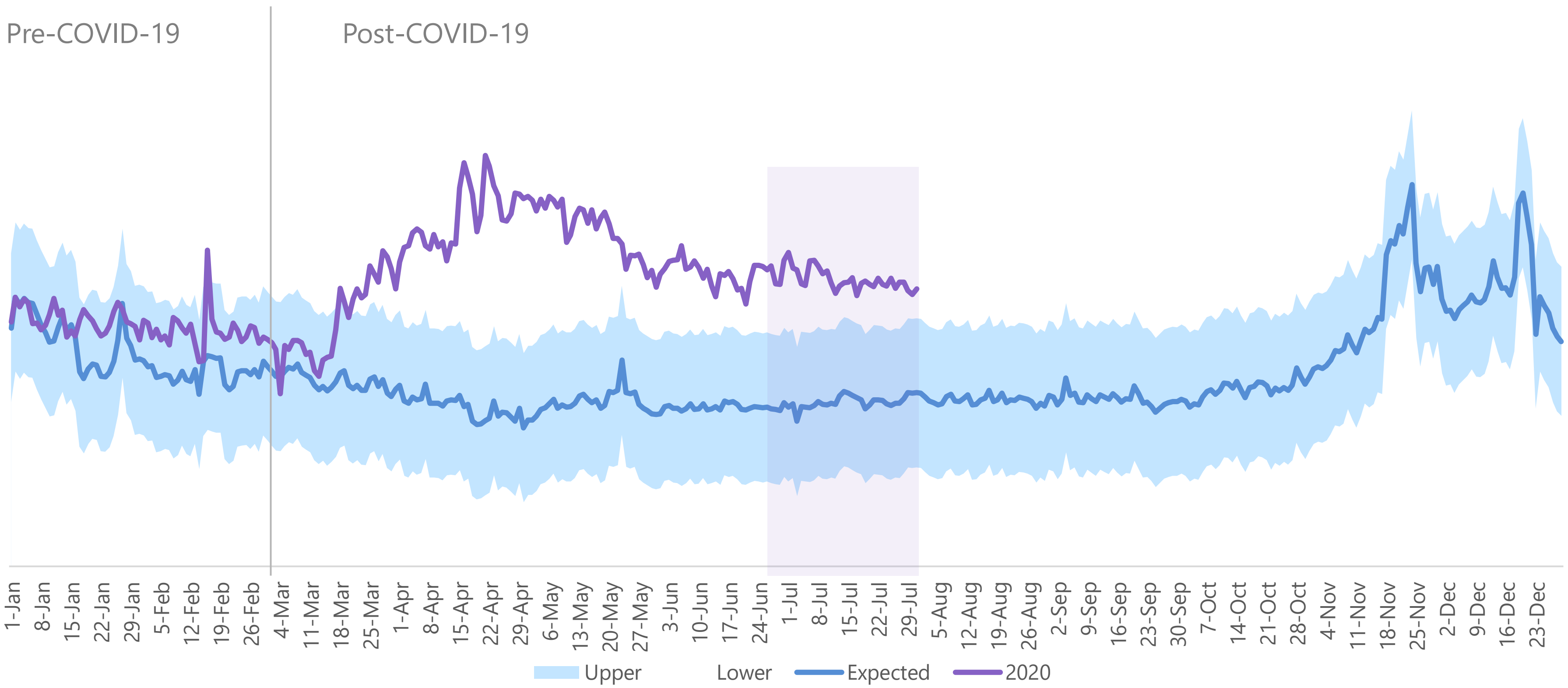
+44% YoY click growth

+56% YoY impression growth

Microsoft

Tablet product ads had higher search and click volume in 2020, but higher CPCs likely due to more competition

Search volume over time for 2020 compared to "normal" for Tablets



Expected data, along with the upper and lower bounds, represent the normal seasonality and its volatility bands (pre-COVID-19) since 2018 adjusted for the growth or decline in 2020. We're using July's typical Tech-Telco boost as a proxy for what we may see during the holiday's post COVID-19.

Proprietary Microsoft Advertising Source Data

Tablets (Product Ads)

YoY change for July

+46%
YoY CPC change

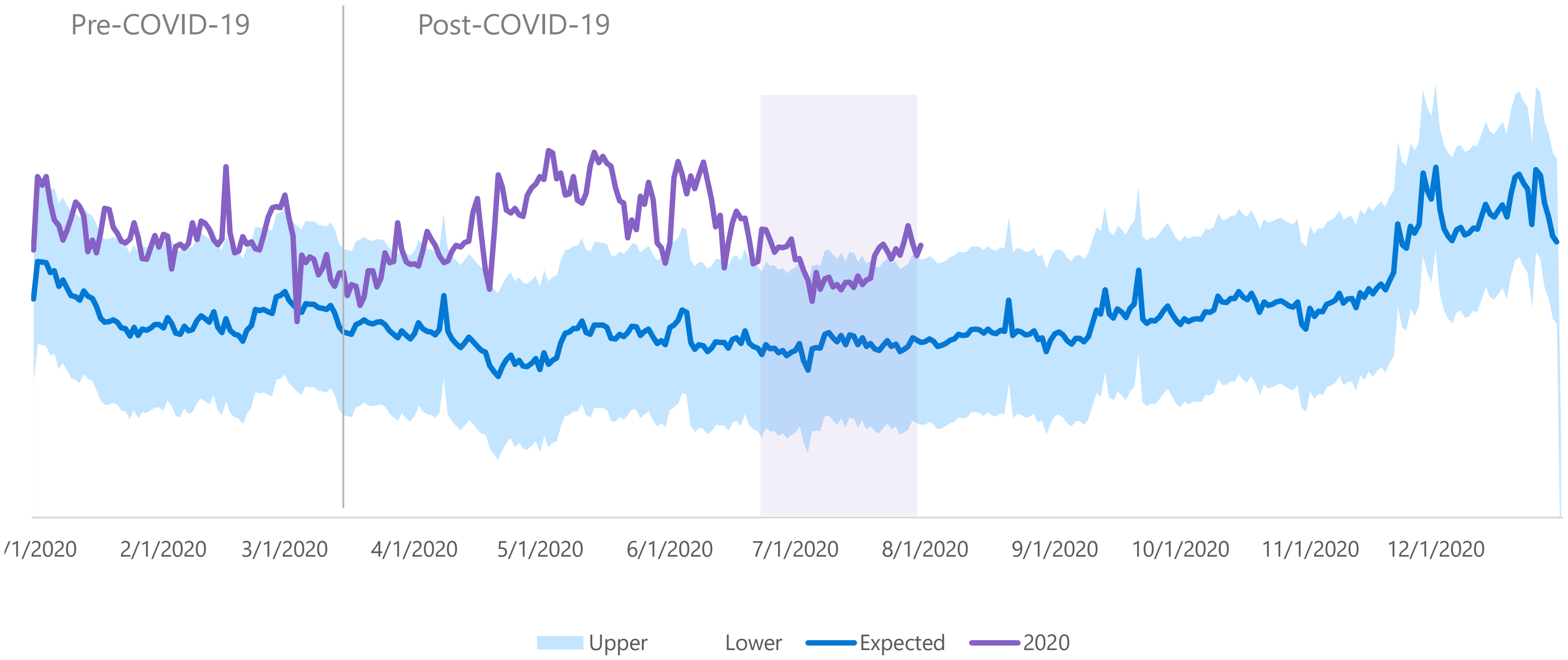
+35%
YoY click growth

+46%
YoY impression growth

Microsoft

Although interest in Wearables product ads is up (via heightened search volume/impressions), clicks are down

Product Ad search volume over time for 2020 compared to “normal” for Wearables



Expected data, along with the upper and lower bounds, represent the normal seasonality and its volatility bands (pre-COVID-19) since 2018 adjusted for the growth or decline in 2020. We're using July's typical Tech-Telco boost as a proxy for what we may see during the holiday's post COVID-19.

Proprietary Microsoft Advertising Source Data

Wearables (Product Ads)

YoY change for July

+96%
YoY CPC change

-35%
YoY click growth

+57%
YoY impression growth

Microsoft

Query pathing: YoY changes

Comparing July 2019 to July 2020

Let's look at July YoY search behavior changes from a pre and post COVID-19 perspective using Query Path data. In 2020 we saw….

Hardware

- **Apple Hardware** queries **increased 14%** while **Samsung** queries **increased 111%**
- Other OEM Hardware queries **decreased** by **34%**
- **Samsung Hardware** clicks increased the most YoY over **600%** when the path started with Non-Brand

Conclusion: There was a much higher interest or growth for Samsung in 2020 from the previous year. However, not as high as interest for Apple hardware which also saw a YoY increase.

Non-Brand

- Non-Brand queries increased in the beginning middle & ends of paths
- **16%** YoY increase in 1st queries being non-brand, **10%** growth in the middle, and **18%** growth in the last queries being non-brand

Conclusion: The conversion funnel is not linear. We saw an increase at each stage of the path for Non-Brand with most of that increase YoY coming at the end of the path. Final clicks for branded terms increased with paths stared with Non-Brand.

Carriers

- Prepaid Carrier queries increased **52%**
- Postpaid Carrier queries decreased **40%**.
- Prepaid Carrier clicks at the end of paths increased **30%** YoY

Conclusion: This could be due to consumers looking for lower cost options caused by the impact of COVID-19 and income uncertainties. Price sensitivity, overall cost, and no long-term contracts will be important to consumers this year when selecting a carrier.

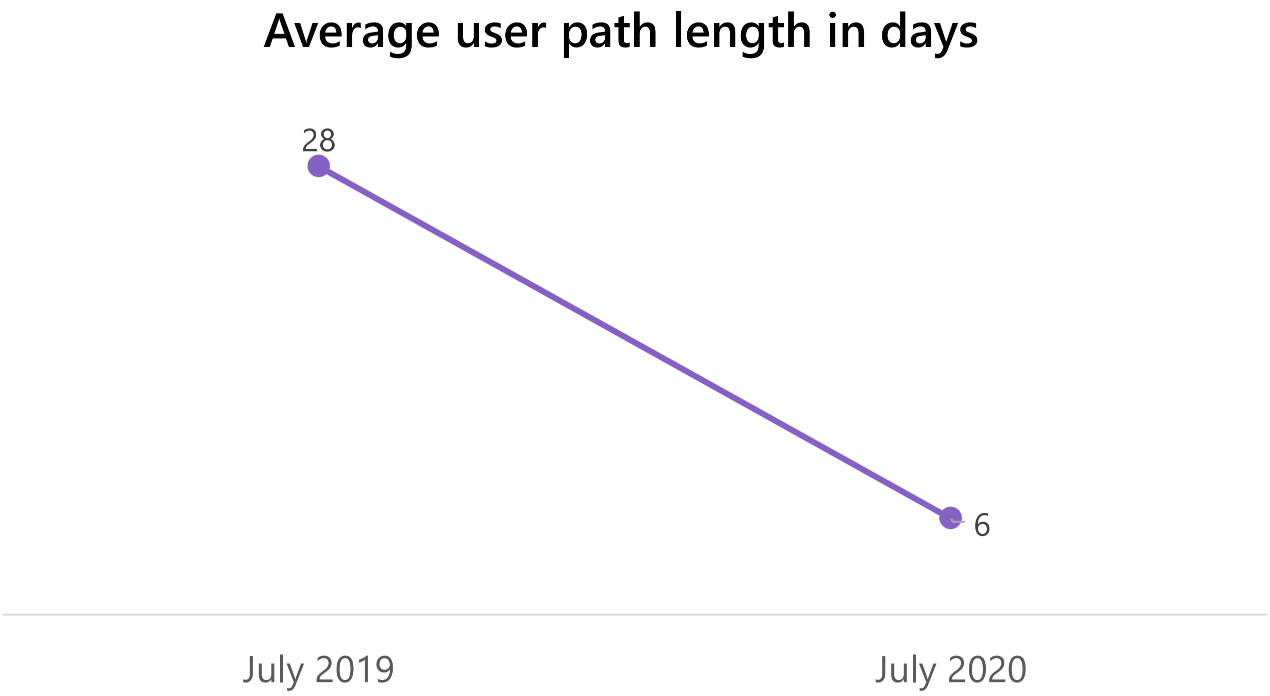
If the post COVID-19 trend continues, the expectation for query paths related to Carriers should show an increase of queries in the Non-Brand and Prepaid Carrier query categories.

Microsoft

Proprietary Microsoft Advertising Source Data July 2019 and July 2020

Consumers are making decisions in fewer days' time, but the number of queries between first search and last click has not changed significantly

Conversion length for all Telco categories: July 2019 vs. July 2020



Although the average user's **path length in days did shorten more than 4X this year**, the number of queries between first search and last click did not change significantly.

Advertisers may not have as much time to convert a consumer in 2020 and should consider starting investment efforts sooner to take advantage of this pivotal year for new phones and 5G adoption.

Proprietary Microsoft Advertising Source Data

Microsoft Advertising. Intelligent connections.

advertising.microsoft.com