Microsoft Advertising Insights:
Tax season 2019 wrap up
Financial Services

Microsoft Advertising. Intelligent connections.
A quick look back...

Daily non-brand searches during COVID-19 outbreak

- U.S. declares national emergency
- U.S. announces intent to defer tax payments
- Fed announces filing extensions & payment extension
- States announce filing extensions & Fed announces payment extension
- Fed officially extends filing & payment deadlines
- Stimulus checks announced

2019 dates adjusted to match weekend cadence
Bing Ads Internal 1.18-3.28.2020, Top 200 Queries, Bing Ads Core, All Devices
How did users react to this?

Users polled on Microsoft platforms after the extended deadline reveal a preference for filing early from deadline.

Over half of users indicated that they still filed according to the original deadline.

Do you typically file your taxes early or closer to the filing deadline?

<table>
<thead>
<tr>
<th></th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Early</td>
<td>1,058</td>
<td>48%</td>
</tr>
<tr>
<td>It depends</td>
<td>361</td>
<td>17%</td>
</tr>
<tr>
<td>Closer to the deadline</td>
<td>554</td>
<td>26%</td>
</tr>
<tr>
<td>Other / Does not apply</td>
<td>171</td>
<td>8%</td>
</tr>
</tbody>
</table>

Did you file your 2019 taxes before or on April 15 or after April 15?

<table>
<thead>
<tr>
<th></th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before or on April 15</td>
<td>5,278</td>
<td>64%</td>
</tr>
<tr>
<td>After April 15</td>
<td>2,048</td>
<td>25%</td>
</tr>
<tr>
<td>Other / Does not apply</td>
<td>988</td>
<td>12%</td>
</tr>
</tbody>
</table>

Source: Data from market research firm “CivicScience”, 2020 Tax Survey Questions
How did these sentiments reflect in the numbers?
Tax stat pack

Tracking trends annually & consistently
This year was a little different

The number of e-filers have grown steadily throughout the years, but shot up dramatically in the most recent filing year.

% of e-filers by year

Historically, the largest discrepancy between E-Filers and all up filers happens during filing deadlines.

The two lines begin diverging in early February which tells us this period two months prior has the most opportunity for closing the gap on paper vs e-filers outside of deadline periods.

However, during this year’s unique period, we see a slight bump right before first peak when stimulus checks were announced.

We also saw the share of e-filers grow significantly during the second peak, likely due to the physical restrictions during the pandemic.

*E-filing exceeding Total Returns in July tax deadline unresolved. Possible error from IRS reporting or methodology of counting e-file delayed and over-indexed towards end due to anomalous circumstance in 2020.

But e-filing can be still be through a professional. Which ones were self prepared?

Self preparing e-filers, a segment that previously remained relatively steady, shot up by 19% in 2020.
How did this compare against tax professional e-filers?

This year looked very different in two ways:

1. The second peak was dominated by self-prepared e-filers. In fact, tax professionals trended downward before experiencing a slight peak.

2. There was a third peak and tax professionals were more heavily utilized during the valley, but did not peak as high as e-filers on the last day.

Historically, tax professional e-filing held consistent until the final bump, around a week before tax day where they eclipse self serviced e-filing’s peak.

The IRS adjusted their most recent forecast to account for the increase in filings expected to come in this year.

Alongside the expected bump, their modeling predicts sustained elevated levels with very slight growth into next year's tax filing returns to more average projections.

*IRS releases forecasts prior to current tax filing number final tallies. Revision was released 6/2020 with projections for 2020 filing year numbers. Newest forecast with actuals not released yet making 2020 numbers forecasted despite tax season being over.

**Unemployment, while taxable not expected to contribute a huge bump next year since many receiving the benefit were employed previously and assumed to have still filed taxes prior to the pandemic. Stimulus checks for those who usually do not file and filed in 2020 are not taxable.

Let’s translate that into search volume

While the future now is difficult to predict, prepare for seemingly flat growth next year by contextualizing the effects of 2020’s unprecedented conditions.
The adjustment also predicts a steeper decline of paper filers than previous forecasts. Not only will the number of e-filers increase, but the portion shifting away from paper filers will also increase.

Normally, we see brand follow non-brand patterns closely during both early and tax deadline peak as seen here in 2019.

This year, we saw non-brand searches grow substantially during the second peak as many struggled to adjusted to the new tax deadline and keep up with updates.
Putting the two pieces together, how did search trends look against larger e-filing trends?

Search trends follow, of course, closer to self-prepared filing, peaking as filing peaks.

In contrast, tax professionals do not have a steep drop off and maintain a steady stream during the period before April deadline. This period presents an opportunity for new users looking to switch from tax professionals to self-serve.

Source: Bing Ads Internal, Top 100 Brand/Non-Brand SRPV Trends Jan-July 2019, Jan-July 2020
How did the market respond to these new conditions?

Mainline 1 cost-per click (CPC) vs. clicks

Conversely, top players saw increased click share for both Tier 2 and Tier 1 players, signaling stiffer competition when it comes to top players.

"Others" encompassing many low volume competitors saw a deeper polarization in the market as they lessened click volume share.

Click distribution by competitive levels

- **2019**
  - Top Players Tier 1: 60%
  - Others: 35%
  - Top Players Tier 2: 6%

- **2020**
  - Top Players Tier 1: 64%
  - Others: 29%
  - Top Players Tier 2: 7%

Top Players definition: Tier 1: Customers receiving Top 5 click share of ML1 of highest valued terms, Tier 2: Subsequent top 5 clicks hare customers.

Source: Bing Ads Internal, Tax Preparation Demand Vertical Jan-July 2019, Jan-July 2020
Density drops during moments of opportunity

Ensure search strategy alignment with broader e-filing trends

Source: Bing Ads Internal, Top 100 Brand/Non-Brand SRPV Trends Jan-July 2019, Jan-July 2020
“IRS” terms, expectedly, grew significantly as people kept abreast of the updates around stimulus checks and changing deadlines.

“Multi”, which are queries containing multiple modifiers saw a growth as people increased more complex searches.

“Calculator” terms saw a drop in total share.

“Free” still dominated searches, but share of total clicks dropped due to the growth in IRS terms.

Source: Bing Ads Internal, Top Customer KW Dashboard Trends Jan-July 2019, Jan-July 2020
Diving deeper into the search journey
Did the extended period affect when users started searching?

15% of users delayed the start of their tax journey until after the initial deadline.

As news around tax implications of coronavirus surfaced, trends began to deviate from normal around early February as people began to start their journeys later.
Average path lengths increased heavily this year, though this was to be expected with the extended deadline.
This was reflected in the number of searches as well, although this number didn’t increase as heavily as the length in days. This suggests that users were not consistently searching throughout the entire extended period.
What did the increased searching do to the brand/non-brand click interactions?

Non-brand click volume proportions decreased this year, likely due to the research heavy nature of non-brand searches this year that required resourcing/context from outside brand voices.

<table>
<thead>
<tr>
<th></th>
<th>% of brand/non-brand clicks</th>
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<tbody>
<tr>
<td>Non-brand</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>15.6%</td>
</tr>
<tr>
<td>2019</td>
<td>24.4%</td>
</tr>
<tr>
<td>2020</td>
<td>19.9%</td>
</tr>
<tr>
<td>Brand</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>84.4%</td>
</tr>
<tr>
<td>2019</td>
<td>75.6%</td>
</tr>
<tr>
<td>2020</td>
<td>80.1%</td>
</tr>
</tbody>
</table>
**What did the increased searching do to the brand/non-brand click interactions?**

This year’s click distribution along the journey was much more evenly dispersed than last year.

### 2019 clicks

![Graph showing click distribution for 2019](image)

### 2020 clicks

![Graph showing click distribution for 2020](image)

Non-brand click volume proportions decreased this year, likely due to the research heavy nature of non-brand searches this year that required resourcing/context from outside brand voices.

*Single touchpoint path lengths excluded
Source: Bing Ads Internal, Query Pathing February-May 2019, February-July 2020*
Most respondents filed their own taxes and only half state they typically do not do so online.

Source: Data from market research firm "CivicScience", 2020 Tax Survey Questions
Respondents interacted with units positioned next to Microsoft Audience Network units.
Leverage the Audience Network, Microsoft’s premium Native offering, to reach more tax preparers in 2021
Access the Microsoft Advertising audience …

1B devices running Windows 10

498M monthly unique visitors

11B global monthly searches

675M global professionals

200M monthly unique visitors

64M monthly unique users

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Users exposed to Financial Services Audience Network ads **search and click more on Bing** than users who are not exposed

Average search lift for Financial Services

- **Lift in impressions post-exposure**
  - $+21\%$

- **Lift in clicks post-exposure**
  - $+29\%$

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1. Jan – Feb 2020; Exposed vs. Control lifts for both clicks and searches per user; Searches based on ad flag for selected advertiser and other advertisers in that vertical. On average, those clients saw the reported lift in Search Impressions per user and reported lift Search Clicks per user for exposed users compared to those who were not exposed to an ad on the Microsoft Audience Network. This is based on a sample of our pilot advertisers and is not a marketplace lift. The experienced lift is on a per-user basis for the exposed users, not the advertisers’ full search program.
2020 Tax season advertiser activations

- Get Your IRS Tax Refund Much Faster This Year. Read More
  - Ad: e-file.com

- Before You Pay to File Your Taxes, Read This
  - A Simple Trick That Will Help You Get Your IRS Tax Refund Much Faster This Year.
  - Ad: e-file.com

- Step-by-Step Guidance, No Tax Knowledge Needed. Guaranteed Accurate Results.
  - Ad: ezTaxReturn

- Step-by-Step Guidance, No Tax Knowledge Needed. Guaranteed Accurate Results.
  - Ad: ezTaxReturn

- Step-by-Step Guidance, No Tax Knowledge Needed. Guaranteed Accurate Results.
Audience Network click volume continues to trend upward for Finance while KPIs improve

All-up Microsoft Audience Network Financial Services clicks & CPC trends

Financial Services advertisers continue to increase investment in the Audience Network, as efficiencies improve due to more users engaging with our premium placements – **ensure you have strong coverage in advance of the 2021 season**
Tax advertisers maximized volume on the Audience Network
January – April 2020
Tax Products & Services clicks & CPC trends

Tax advertisers capitalized on efficient & premium supply throughout the ‘standard’ tax season timeline in 2020, while a few were able to carry their momentum into the July extended filing period.

Given economic conditions, prepare for a non-standard timeline of tax season peaks in 2021, and remain active on the Audience Network throughout.
Target overlapping In-market Audiences to reach more online tax preparers likely to convert

As users enter the financial mindset of Tax Preparation, they are also In-market for various other products & services

Consumers In-Market For Your Product...

5.86M

users who are In-Market for

/Financial Services/Tax Services

...Are Also In-Market For Others

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Category</th>
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<tbody>
<tr>
<td>41.55%</td>
<td>Apparel &amp; Accessories/Women's Apparel</td>
</tr>
<tr>
<td>35.04%</td>
<td>Home &amp; Garden/Home Decor</td>
</tr>
<tr>
<td>33.49%</td>
<td>Hobbies &amp; Leisure/Toys &amp; Games</td>
</tr>
<tr>
<td>30.29%</td>
<td>Apparel &amp; Accessories/Clothing</td>
</tr>
<tr>
<td>30.04%</td>
<td>Financial Services</td>
</tr>
<tr>
<td>28.19%</td>
<td>Autos &amp; Vehicles/Auto Parts &amp; Accessories/Wheels &amp; Tires</td>
</tr>
</tbody>
</table>
How do you activate?

**Retain**
Many people experienced e-filing for the first time this year due to physical restrictions. **Retain this customer base** through remarketing and maintaining presence through key filing research periods.

**Maintain**
The marketplace is flexible as mid-tier competitive players capitalize on additional volume this year and grow in share. **Ensure your CPCs remain competitive.**

**Discover and convert**
Alongside the Tax Professional E-Filer, there is also the Paper Self-Filing audience to **convert over through Microsoft Audience Network and non-brand bidding.**
To get more actionable data, insights and best practices to help make decisions and grow your business, visit aka.ms/MicrosoftAdvertisingInsights