Retail vertical insights

BING AUSTRALIA

Landscape, key trends and recommendations
## Retail Industry Overview and Trends

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<th>Overview</th>
<th>Australian retail industry</th>
<th>ABS &amp; Citi analysis</th>
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<td>Australian retail online</td>
<td>Nielsen &amp; Bing</td>
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<th>Top Trends</th>
<th>Customer Expectations</th>
<th>Opportunities for SEM</th>
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| Personal   | From mass merchandise to personal merchandise | Context Analytics |

| Seamless   | From the company’s channel to “my channel” | Consistent Device responsive |

| Differentiated | From standard to standout | Innovation Competition |
Australian retail industry

Overview
Retail spending is up according to recent data from the ABS and CiTi

What is driving the growth?

- Weakening dollar makes domestic goods more attractive
- Cheap credit and lower fuel prices increase disposable income

FY 2014 saw Food and Household categories perform well

Feb 2015 saw the second solid month gain (5-6%)
Retail online
How big is the online retail market?

6.9% or $16.6 billion of total retail spending is now online.

10% of non-food shopping in Australia is online (similar to the U.S.).

Online retailers are actively reclaiming lost market share.

75% of total online sales are through domestic online retailers.

Online retail search ads drive above average traffic.

Online sales growth is leveling off after a few years of 20-30% growth.

After 4 years of cutting costs, retailers are now beginning to invest.

1: NAB Online Retail sales Index Survey
2: Hitwise Paid v Organic traffic Feb 2015
3: CiTi research Feb 2015
Retail online: dominated by the top 3

**Retail - Nielsen Trend Report**
(March 2014 - Feb 2015)

- Amazon
- Coles
- Woolworths

3 Clear leaders in page views, sessions and audience

8 Big names
Brand retailers are in the second leader group the Nielsen Top 100 Retailers

1. Nielsen trend Report March 2015 “Retail Sector”.

Session, PageViews, and Audience by Name
Retail online: international trends

50%-60% of Media, Hobbies and Electronics are forecast to be purchased online in 2020.

Source: US census, Internet retailer, BI intelligence estimates
Food and grocery 2014: search trends

33% of the Australian urban population changed their lifestyle and search style in food and grocery in FY-14

<table>
<thead>
<tr>
<th>Keywords</th>
<th>Clicks / week</th>
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<tbody>
<tr>
<td>Gourmet pizza</td>
<td>62</td>
</tr>
<tr>
<td>Healthy snacks</td>
<td>33</td>
</tr>
<tr>
<td>Protein shakes</td>
<td>41</td>
</tr>
<tr>
<td>Dark chocolate</td>
<td>56</td>
</tr>
<tr>
<td>Grilled chicken</td>
<td>83</td>
</tr>
</tbody>
</table>

1. Bing Ads Intelligence Data March 2015.
Home and garden 2014: search trends

- 44% of search terms were for Gardening
- 30% of search terms were for Home Furnishings
- 25% of search terms were for Home Appliances

1. Bing Ads Intelligence Data March 2015.
Personal

From mass merchandise to personal merchandise
There is no “typical retail customer”

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Localists</td>
<td>29%</td>
<td>Always spend in the same shopping strips or shopping centres</td>
</tr>
<tr>
<td>Loyalists</td>
<td>24%</td>
<td>Always shop with the same store brands or websites</td>
</tr>
<tr>
<td>Clock watchers</td>
<td>21%</td>
<td>Spend at the same time each week</td>
</tr>
<tr>
<td>The rest</td>
<td>10%</td>
<td>10% of Australians have varied spending patterns, which are much more difficult to track. They spend at a wide variety of locations and stores, and at varied times.</td>
</tr>
<tr>
<td>Paydayers</td>
<td>28%</td>
<td>Most spending done very soon after payday</td>
</tr>
<tr>
<td>Cyber spenders</td>
<td>22%</td>
<td>Most spending done online rather than in a shop</td>
</tr>
<tr>
<td>Planners</td>
<td>20%</td>
<td>Plan their spending. Visit a wide variety of stores. Middle aged.</td>
</tr>
</tbody>
</table>

The numbers do not add up to 100% as an individual can fall into more than one profile.

1. American Express Pattern Spending Report, conducted in February 2015, polling 1,993 Australian consumers.
Retail: when and who are buying online

**Seasons**
- Apparel Seasons
  - **Spring:** Women Aug
  - **Summer:** Men Nov
  - **Back to school:** Mar
- **Jewellery:** Dec

**Sales**
- EOFY sales
- New Year sales
- Black Friday

**Month to focus**

**Age**
- 65%
- 25-54 age group
- Highest traffic session

**Loyalty**
- 60%
- Rarely venture beyond 10 retail brands (Bricks & Mortar stores + Online Stores)

**Impulse shoppers**
- ~10% with 85% sticking to the same spending patterns

Online: by retail generic keywords (age 25-34)

Male
- Split between PC & Tablet
- "Cool" gadgets and things

Female
- Predominantly tablet
- Discount perfume, engraving and phone

1. Bing Ads Intelligence – Age and Gender – March 2015.
Online: by retail generic keywords (age 35-49)

Female
- Predominantly tablet
- Fashion, internet shopping sites & pens

Male
- Smartphone & tablet
- “Cool” gadgets & cufflinks

1. Bing Ads Intelligence – Age and Gender – March 2015.
How can Bing help?

Retailers provide a more personalised customer experience.

Men and women tend to

- Use different keyword searches and
- Use different devices when they search

Your account manager can help you optimise your campaigns

- Enhance your keyword search terms
- Change bids on higher performing keywords
- Target the appropriate device
- at the most appropriate time
Seamless

Meet consumer demand by seamlessly connecting the brick-and-mortar and online experience (often referred to as Omni-Channel)
Australian retail customer journey

2. comScore qSearch Explicit Core Search, June 2014. / AU: Nielsen, September 2014.
4. SMH March 2014; ‘Click and collect’ boost Australian online retailers.
How can Bing help retailers?

Provide a more seamless customer experience.

- Improve the search experience
- Shorten the distance between intent and purchase
- Providing a far more cost effective model for both CPC & CPA

Unified Device Targeting

Now Available: App Extensions
Coming Soon: Product Ads

- Sitelink Extensions
- Enhanced Sitelinks
- Location Extensions
- Call Extensions
83% of Home and Garden related searches are on a desktop

10% of Home and Garden related searches are on a smartphone

7% of Home and Garden related searches are on a tablet

Top keyword categories
- gardening
- living room furniture
- major kitchen appliances

1. Bing Ads Intelligence Data March 2015.
89% of searches for Toys and Hobbies are on a desktop

8% of searches for Toys and Hobbies are on a smartphone

3% of searches for Toys and Hobbies are on a tablet

1. Bing Ads Intelligence Data March 2015.
Apparel and accessories

81% of searches for Apparel and Accessories are on a desktop

11% of searches for Apparel and Accessories are on a smartphone

8% of searches for Apparel and Accessories are on a tablet

1. Bing Ads Intelligence Data March 2015.
Differentiated

From standard to standout
Some emerging trends

Occasions are driving increased sales

Click & collect keeps people in control

Data Driven innovation

New entrants

1. Bing Ads Intelligence Data March 2015.
In clothing over the past 20 years:

- Per capita spending is up 77% ($695 to $1,231)
- Prices are up 2%
- Per capita volume is up 74%

How much bigger is the wardrobe?

Clothing replacement cycle compression has driven over three-quarters of growth

When retail increase the “occasions” to purchase we tend to buy more often

“Best innovation opportunities in lifting frequency of occasion and enticing shoppers to trade up”

Craig Woolford, CFA | Citi Research
Senior Analyst Retail Sector

Innovations need to return to lift retail spending

Weaker retail innovation globally is stunting retail sales growth
Emerging new business model - “click & collect”

Where the store and the online presence work together to drive sales

**Click & collect** keeps people in control.
Humans when you need them. Technology when you don't.

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**Click & collect**
15% of online sales

15% Tipped to hit 50% penetration

**Myer**  
**Woolworths**

**David Jones**  
**Coles**

Australian traditional retailers have been investing greater funds in their *omni-channel platforms* in the past two years, seeking to make use of their physical stores (which were once seen as an impediment to online sales) as pick-up points for parcels bought online.

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1. SMH: March 2014.
Woolworths – innovating with customer analytics

Everyday Rewards customer loyalty program

Use patterns of aggregated customer behaviour to improve offerings and services

The market can be disrupted by online innovation. Here we see reaction to a new entrant.

Etsy briefly took the top spot in the middle of last year.
The market can be disrupted by online innovation
Here we see reaction to a new entrant

1. The Guardian
Competitor analysis

1. CPC
2. Spend
3. Position
“Our industry does not respect tradition – it only respects innovation.”
For Bing, the future of search is not about more search boxes – it’s about building a platform that enables applications and devices to empower people with knowledge and help them do more, not just search more.
## Conclusion

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<td>Continued innovation</td>
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Thank you