Retail vertical insights

BING AUSTRALIA

Landscape, key trends and recommendations

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Retail industry overview and trends

Overview	Australian retail industry Australian retail online	ABS & Citi analysis Nielsen & Bing
Top trends	**Customer expectations**	**Opportunities for SEM**
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

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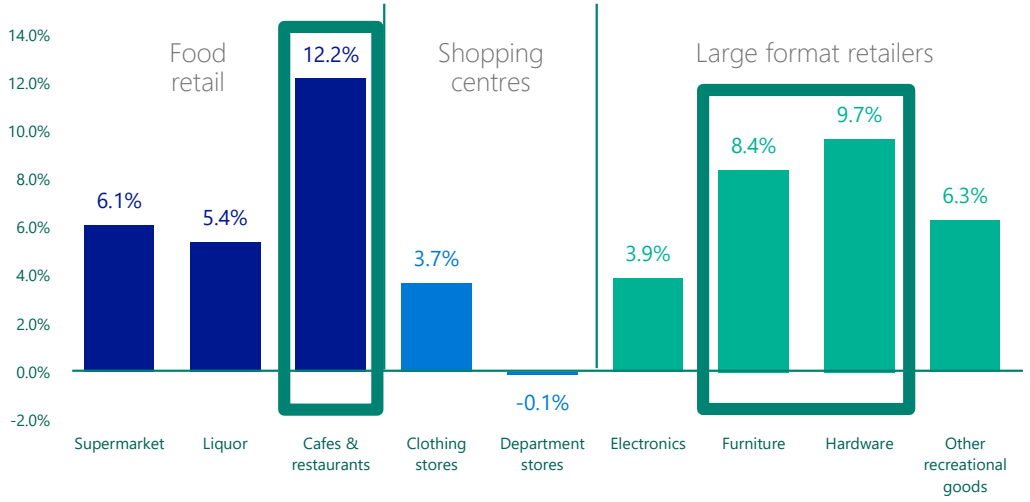
Retail spending is up according to recent data from the ABS and CiTi

What is driving the growth?

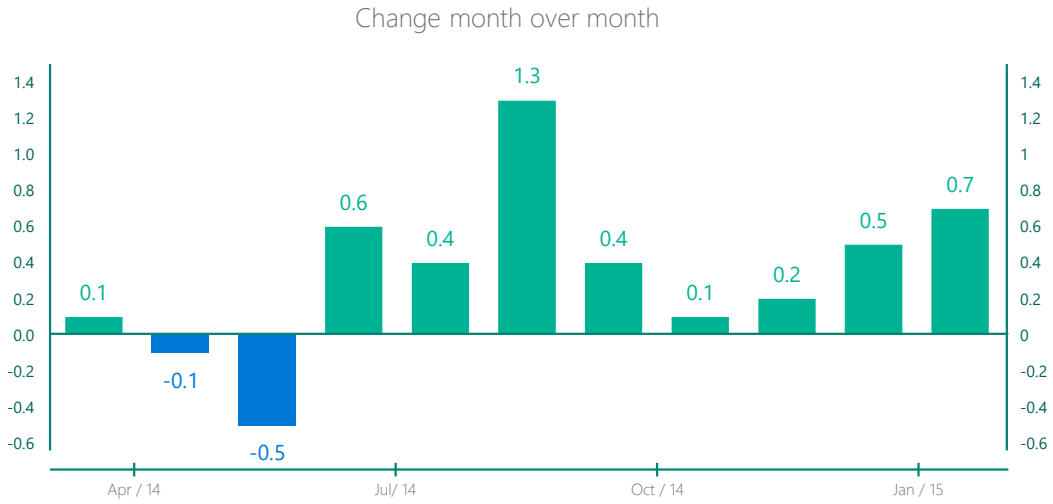
- Weakening dollar makes domestic goods more attractive
- Cheap credit and lower fuel prices increase disposable income

Retail spending growth for 12 months to December 2014 [1]



FY 2014 saw Food and Household categories perform well

Australia Retail Sales MOM [2]



Feb 2015 saw the second solid month gain (5-6%)

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1. Craig Woolford, CFA | Senior Analyst; Retail Sector; Citi Research – March 2015. 2. www.tradingeconomics.com | Australian Bureau of Statistics.

Retail online

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

Online retailers are actively reclaiming lost market share

75%
of total online sales are through domestic online retailers[1]

Online retail search ads drive above average traffic
21% vs **10%**

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

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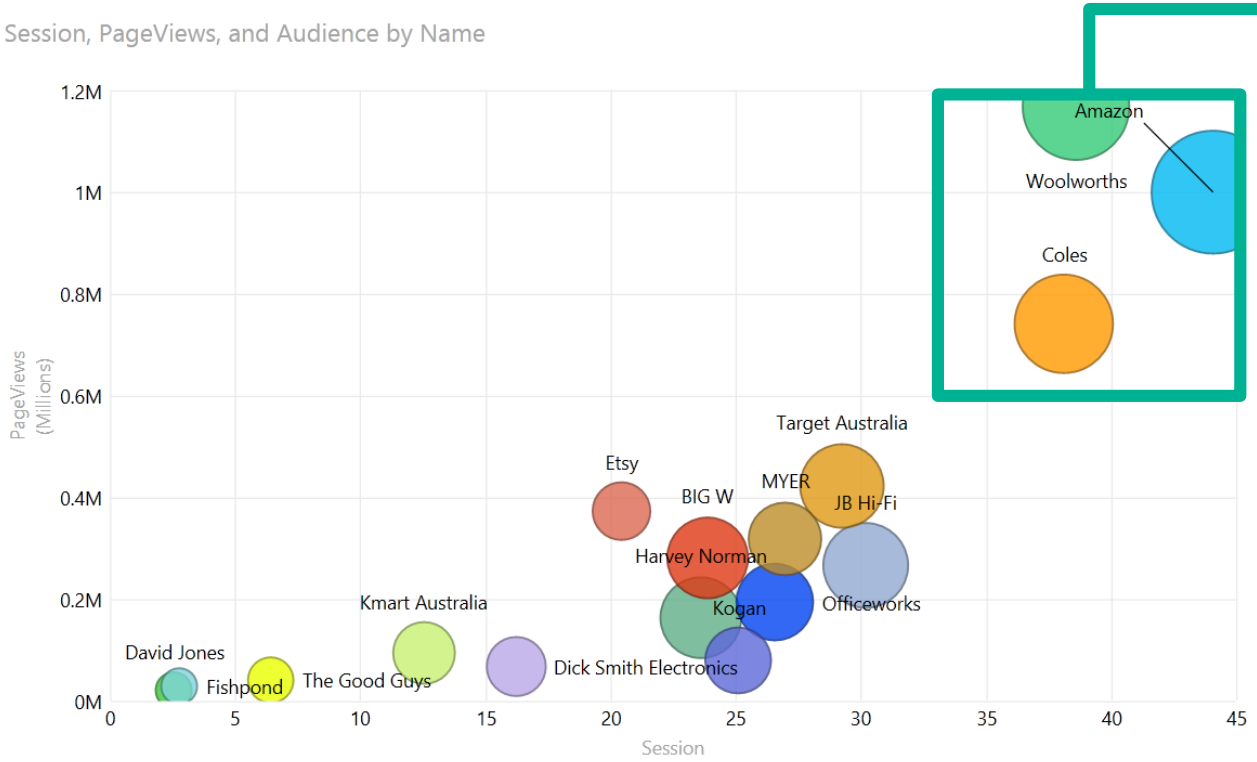
1. NAB Online Retail sales Index Survey.

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

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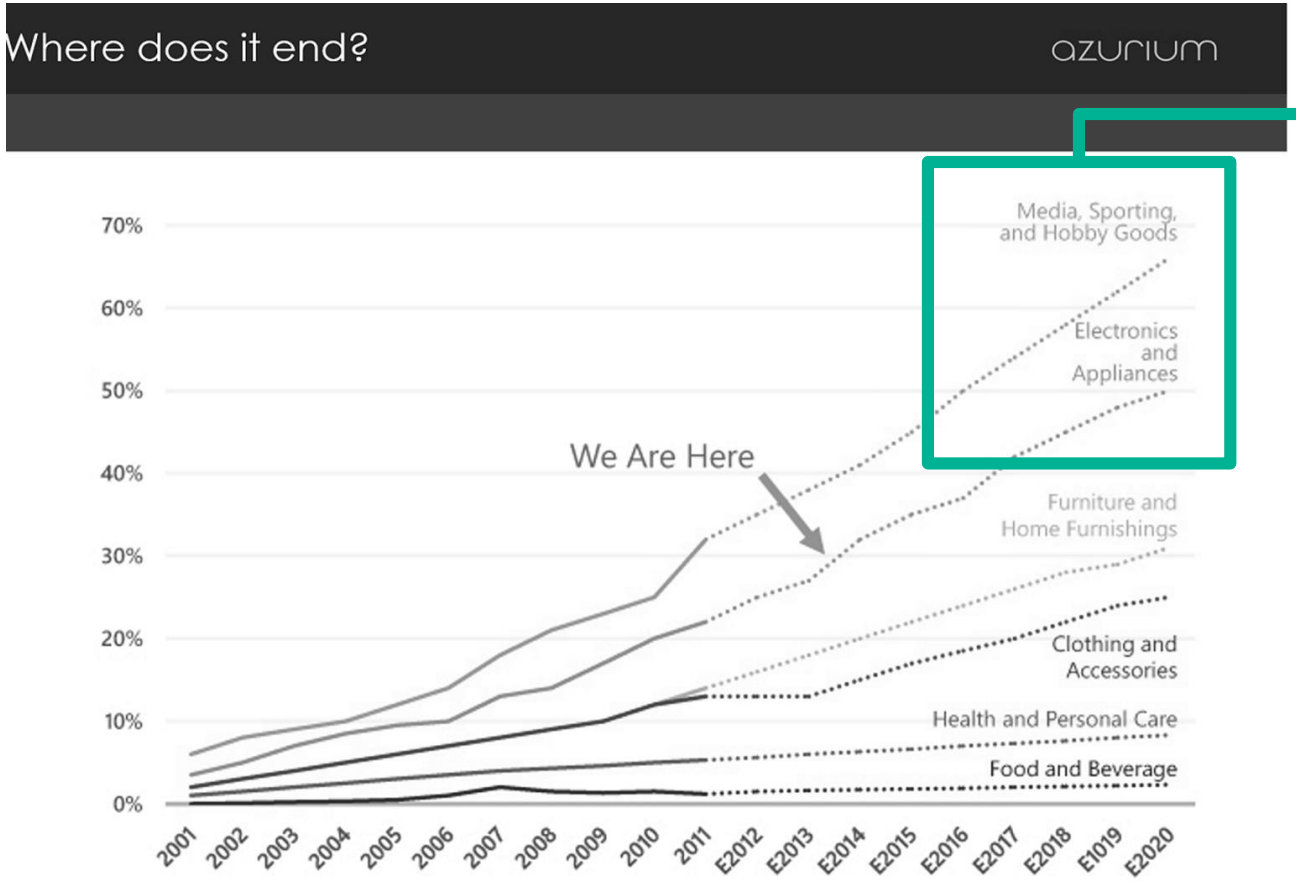
1. Nielsen trend Report March 2015 "Retail Sector".

nielsen

Retail online: international trends



Source: US census, Internet retailer, BI intelligence estimates

Media, Hobbies and Electronics

50%-60%

of Media, Hobbies and Electronics are forecast to be purchased online in 2020

Bing

1. Nielsen trend Report March 2015 "Retail Sector".

nielsen

Food and grocery 2014: search trends

Convenience

Gourmet

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

Keywords	Clicks / week
Gourmet pizza	62
Healthy snacks	33
Protein shakes	41
Dark chocolate	56
Grilled chicken	83

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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**

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1. Bing Ads Intelligence Data March 2015.

Personal

From mass merchandise to personal merchandise

There is no "typical retail customer"

Localists

29%

Always spend in the **same shopping strips** or shopping centres

Loyalists

24%

Always shop with the **same store** brands or websites

Clock watchers

21%

Spend at the **same time** each week

The rest

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.

Paydayers

28%

Most spending done **very soon after payday**

Cyber spenders

22%

Most spending done **online** rather than in a shop

Planners

20%

Plan their spending. Visit a wide variety of stores. Middle aged.

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

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1. American Express Pattern Spending Report, conducted in February 2015, polling 1,993 Australian consumers.

Retail: when and who are buying online

Month to focus

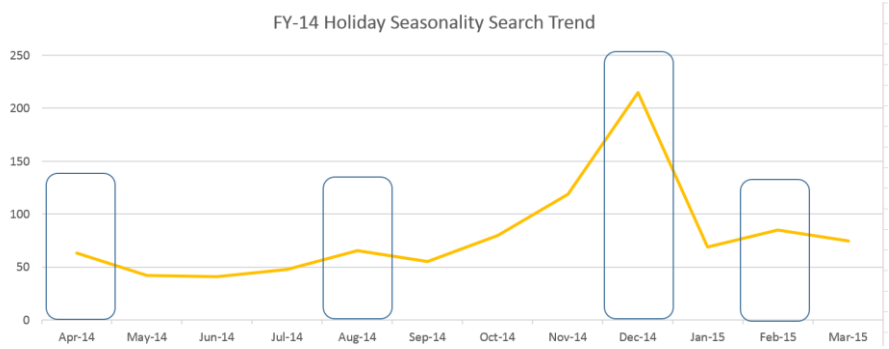
Seasons

Apparel Seasons
Spring: Women Aug
Summer: Men Nov
Back to school: Mar

Jewellery: Dec

Sales

EOFY sales
New Year sales
Black Friday



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

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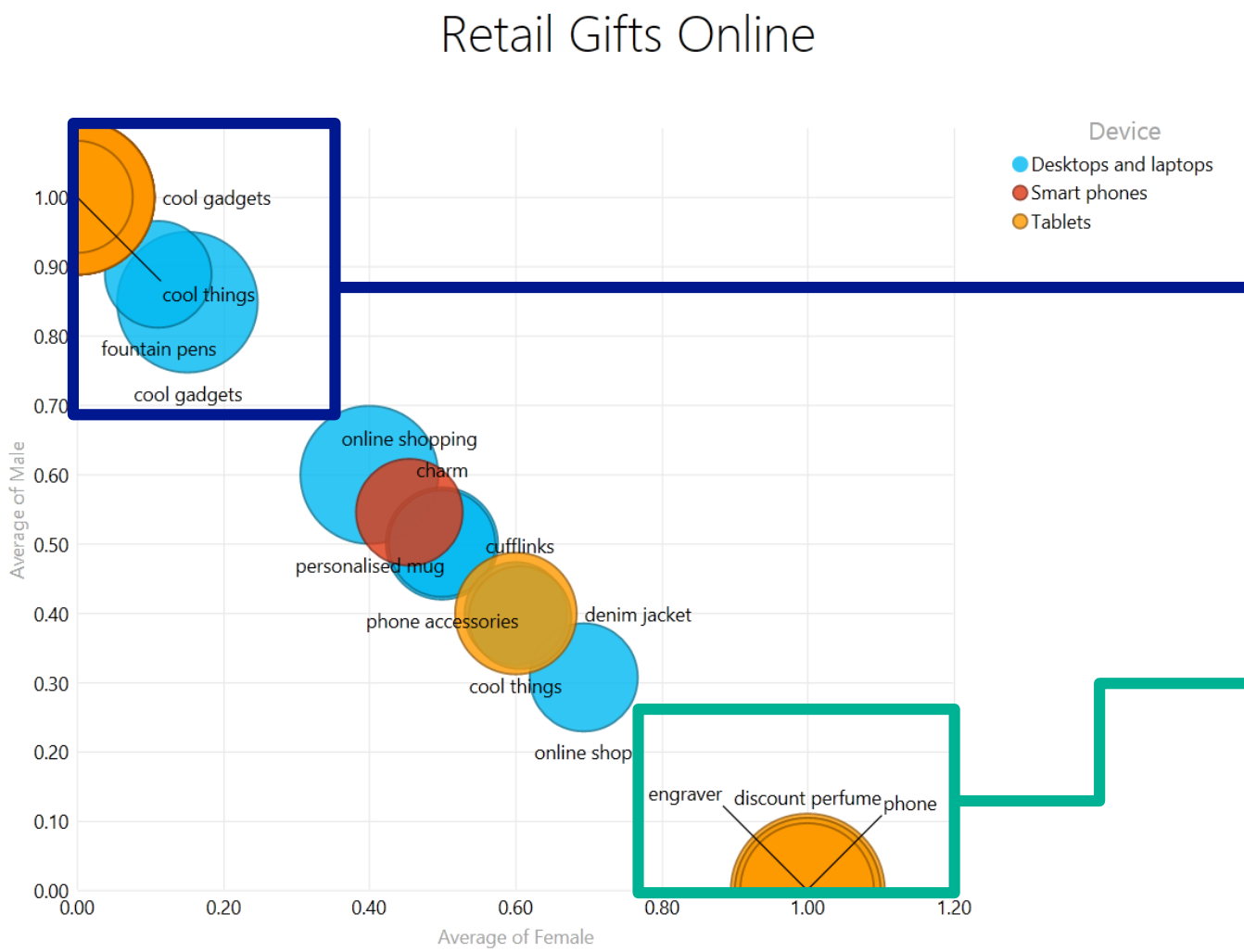
1. Bing Ads Competitor Data 2014 – Nielsen Landscape Report 2014.

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

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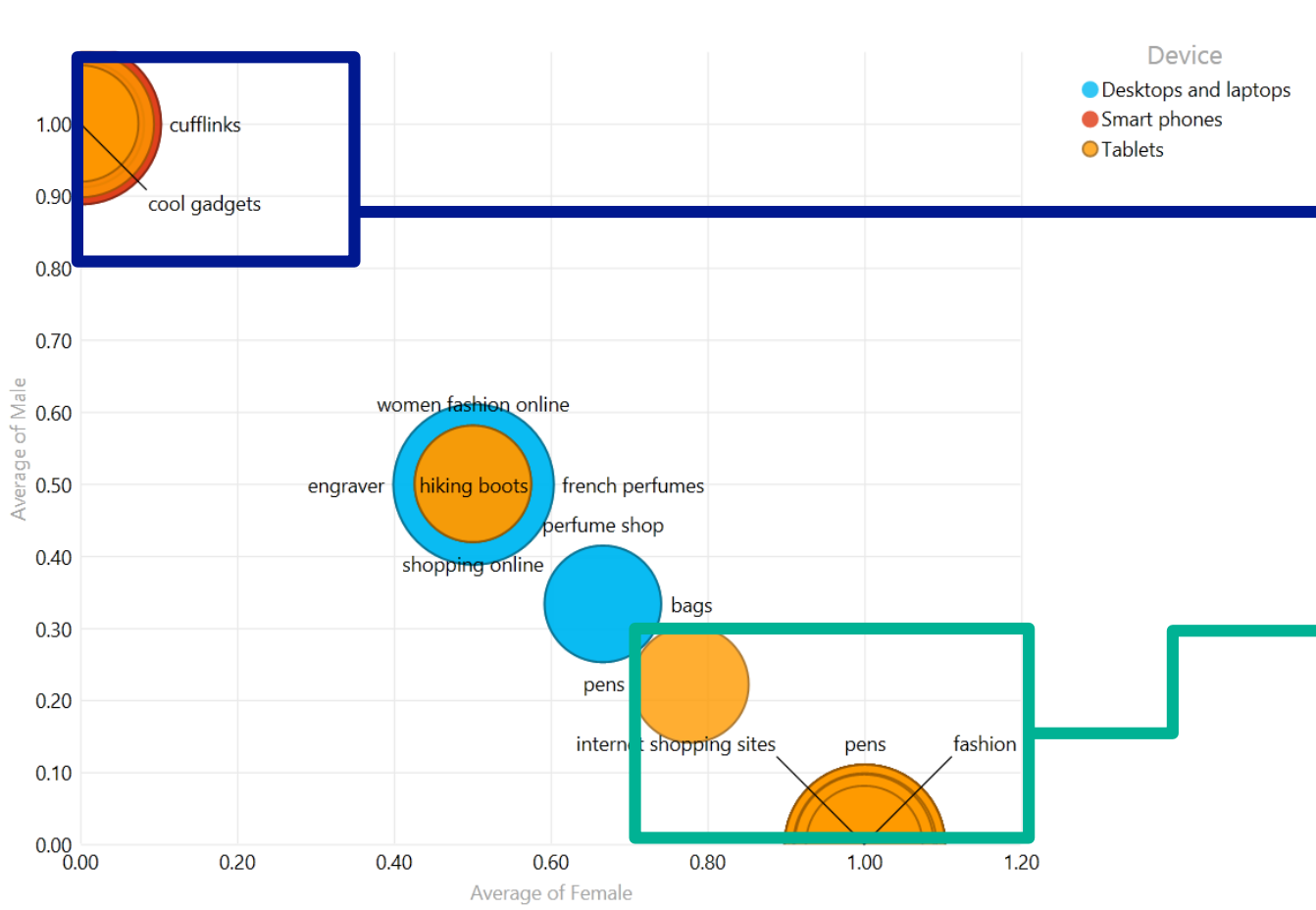
1. Bing Ads Intelligence – Age and Gender – March 2015.

Online: by retail generic keywords (age 35-49)

Retail Gifts Online



Male

- Smartphone & tablet
- "Cool" gadgets & cufflinks

Female

- Predominantly tablet
- Fashion, internet shopping sites & pens

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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

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Seamless

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

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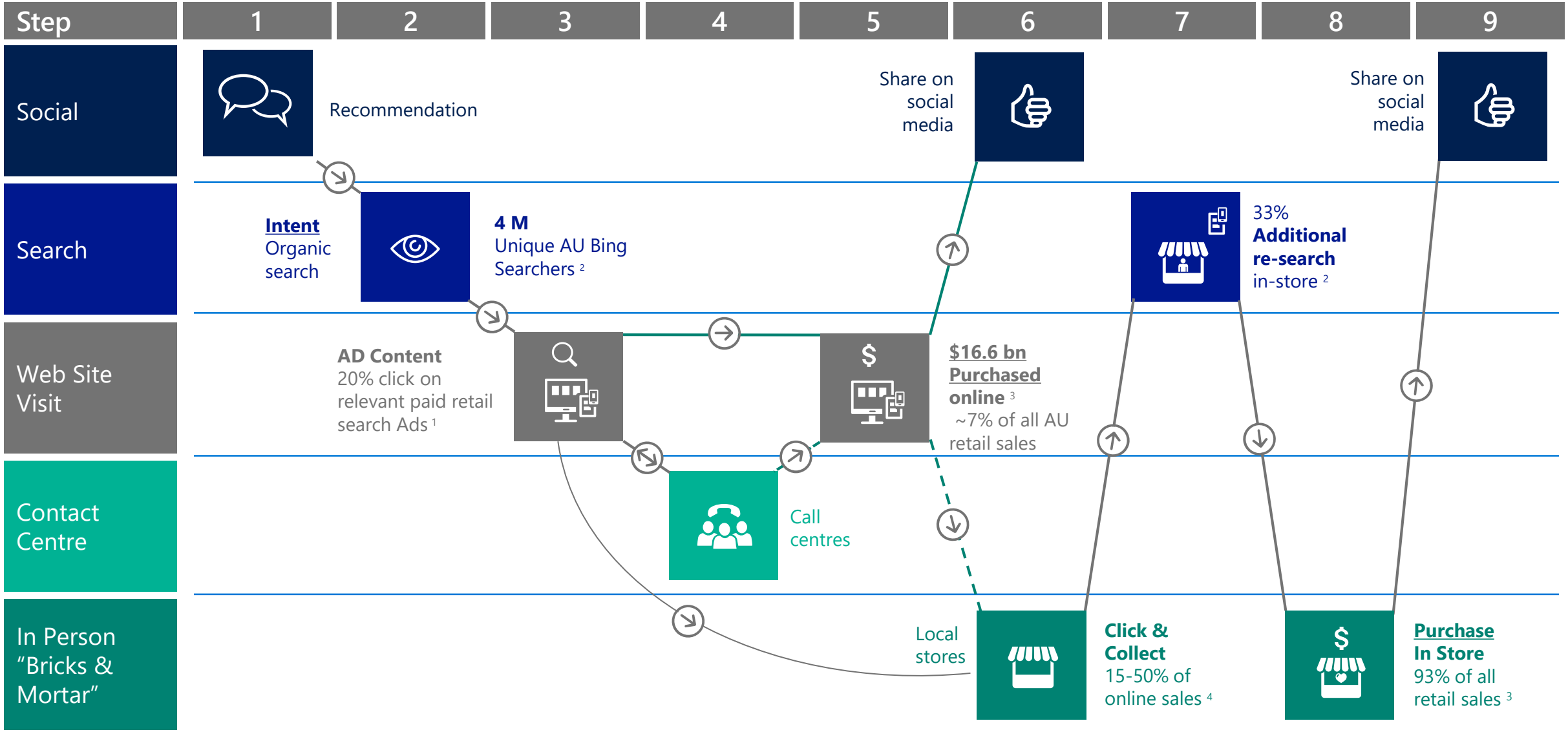
Australian retail customer journey



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1. Hitwise Paid v Organic traffic Feb 2015. 2. comScore qSearch Explicit Core Search, June 2014. / AU: Nielsen, September 2014.
3. Online Retail Sales Index: In depth report – January 2015. 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

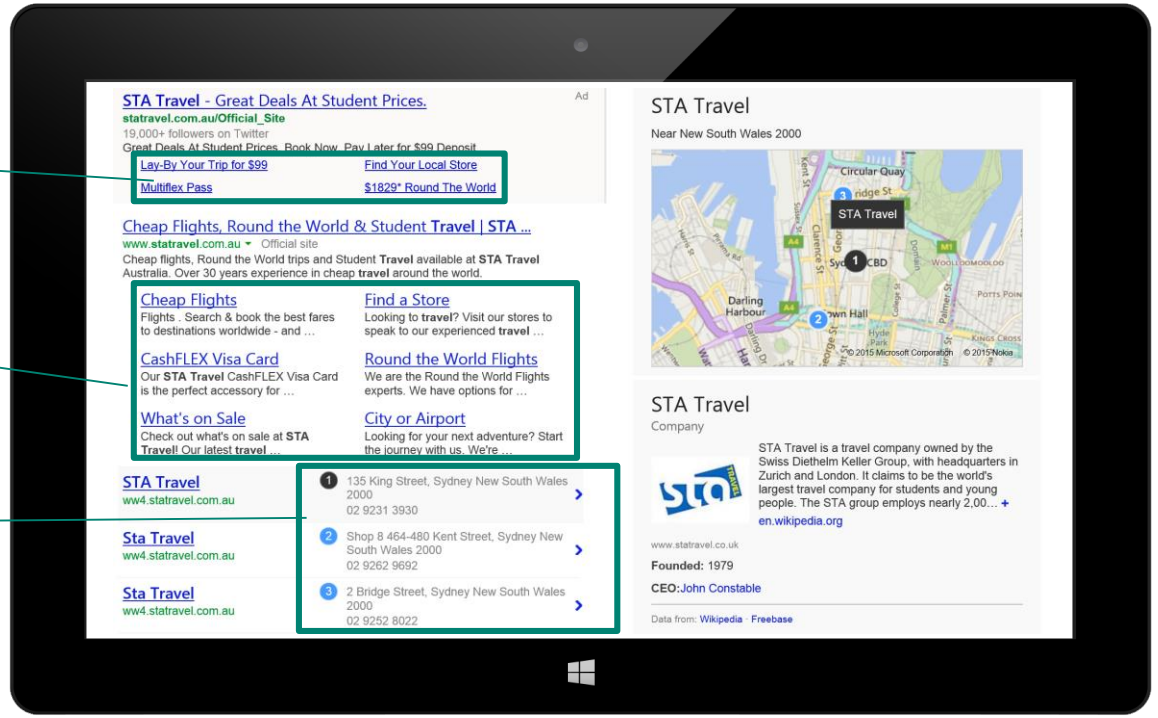
Shorten the distance between intent and purchase

Providing a far more cost effective model for both CPC & CPA

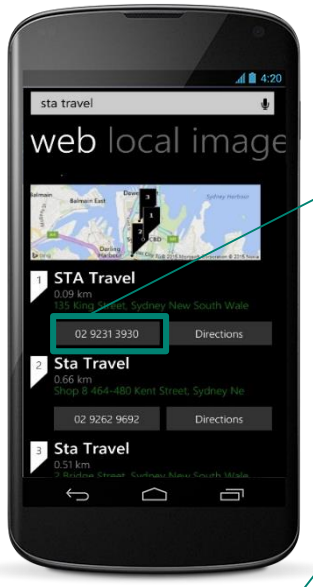
Sitelink Extensions

Enhanced Sitelinks

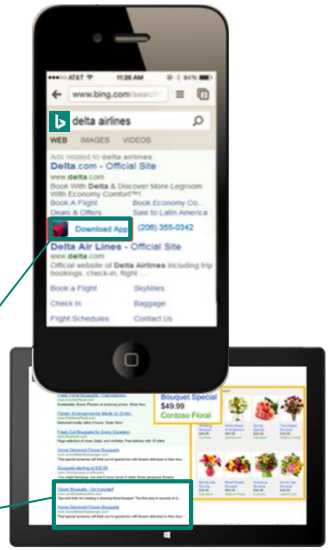
Location Extensions



Unified Device Targeting



Call Extensions



Now Available: App Extensions

Coming Soon: Product Ads

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Home and garden

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

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1. Bing Ads Intelligence Data March 2015.

Toys and hobbies

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

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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

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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

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1. Bing Ads Intelligence Data March 2015.

Innovation needs to return to lift retail spending

Weaker retail innovation globally is stunting retail sales growth

Creating new **"occasions"**

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

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

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?

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1:: CiTi research Feb 2015

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.

Click & collect

15% of online sales

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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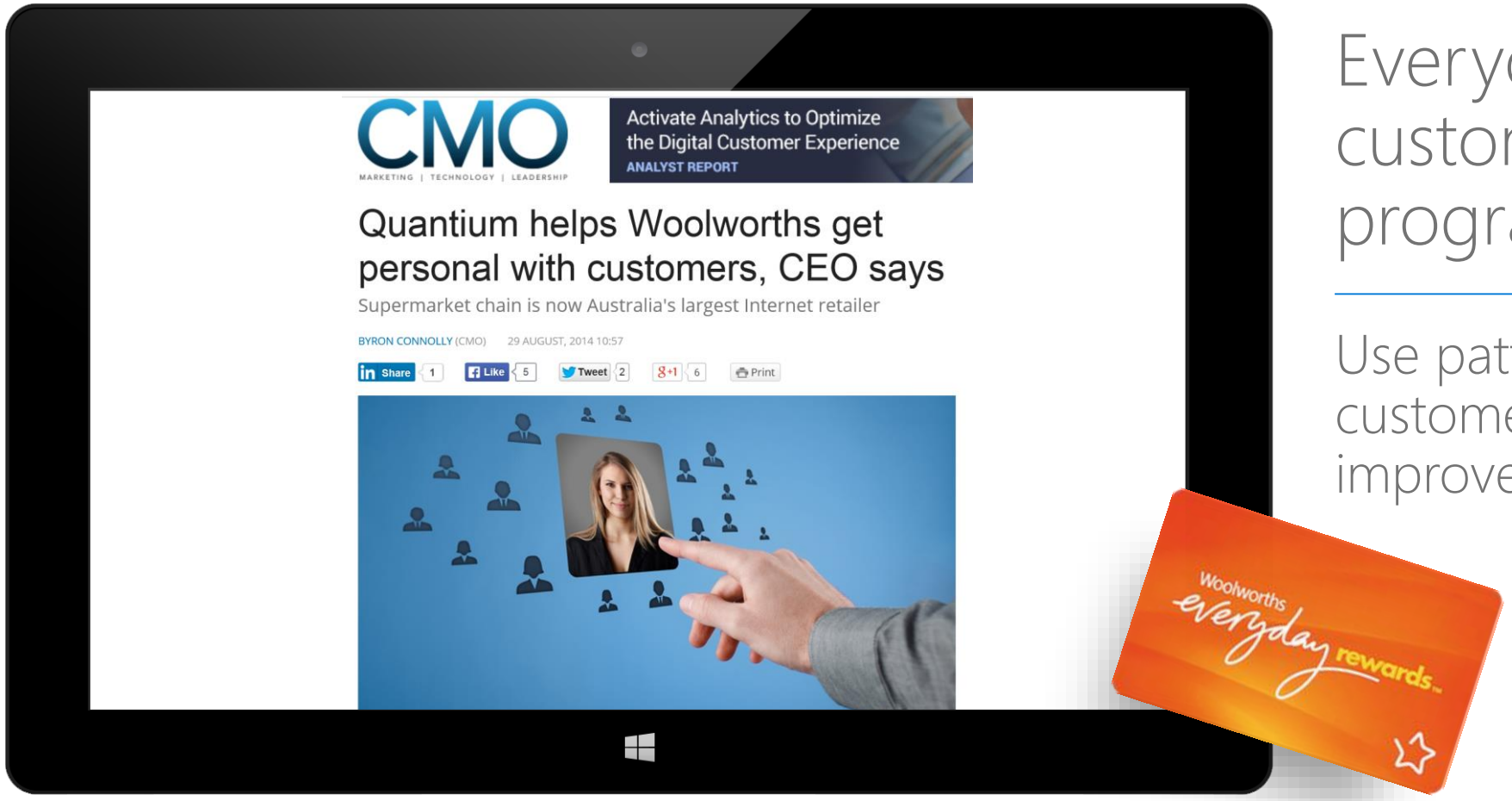
1. SMH; March 2014.

Woolworths – innovating with customer analytics



Everyday Rewards customer loyalty program

Use patterns of aggregated customer behaviour to improve offerings and services

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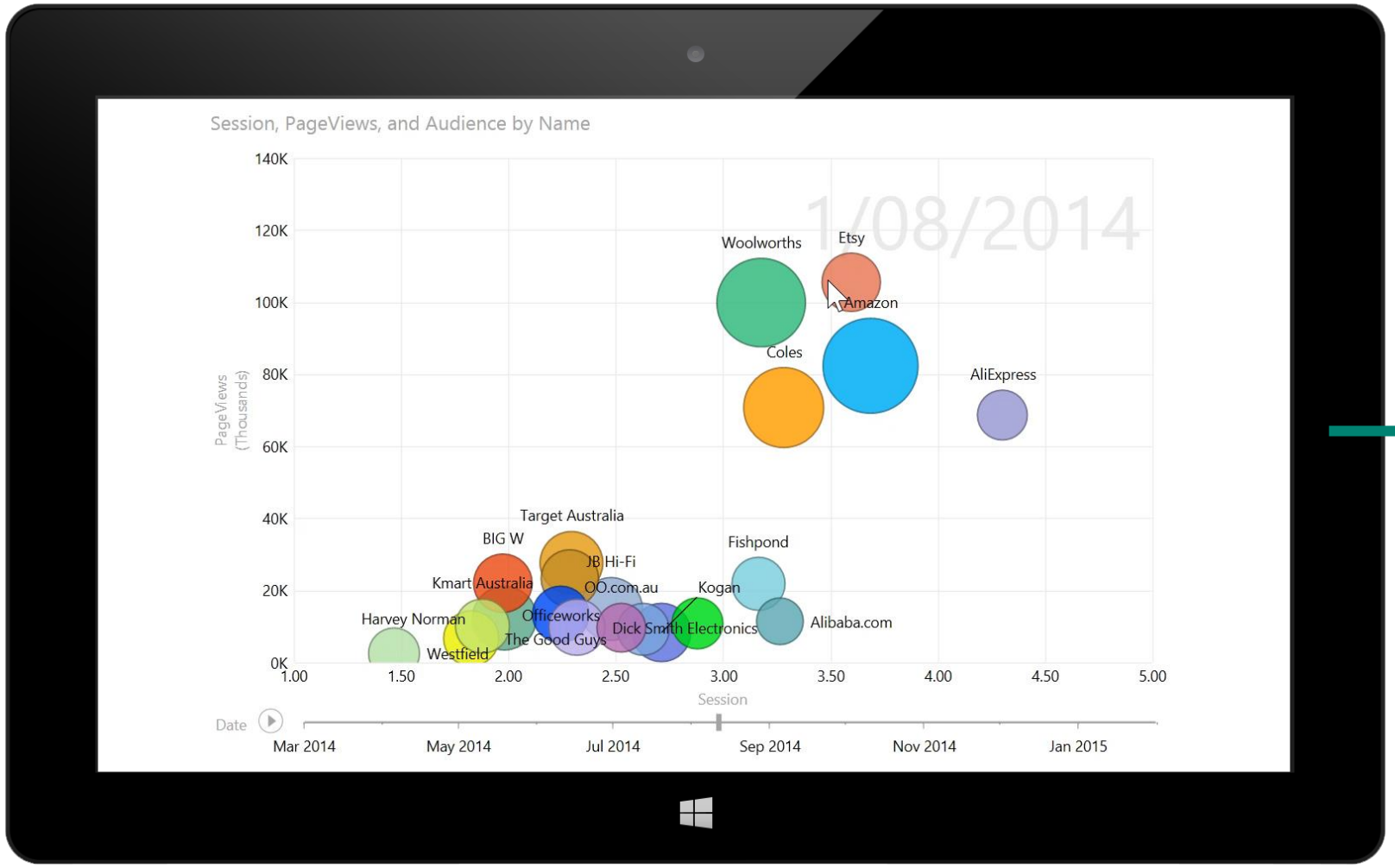
http://www.adnews.com.au/news/woolies-and-quantium-to-launch-dsp-with-australian-first
http://www.cmo.com.au/article/553618/quantium_helps_woolworths_get_personal_customers_ceo_says/

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

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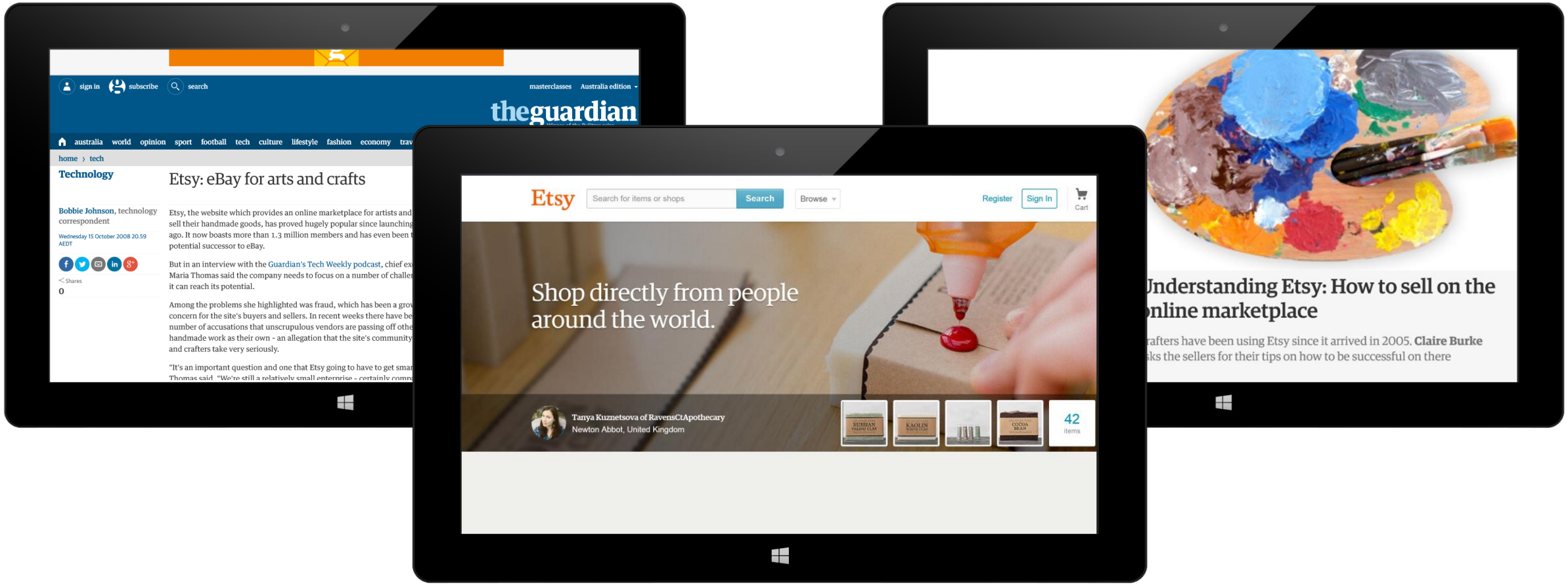
1. Nielsen: Retail Data: Jan 2014 – Feb 2015

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



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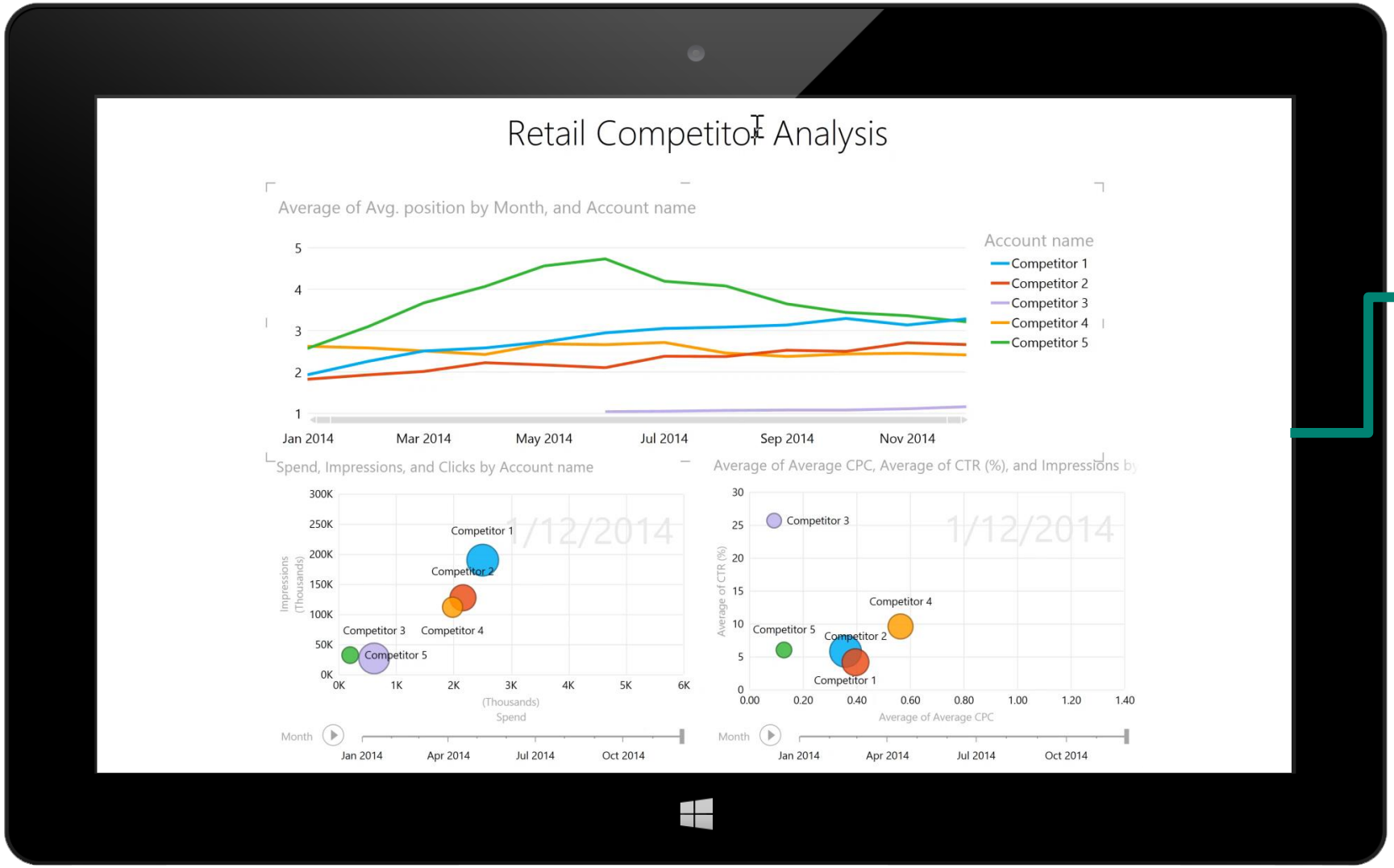
1. The Guardian.

Competitor analysis



Competitive

1. CPC
2. Spend
3. Position

1. Bing Ads Intelligence – Retail Competitors – March 2015.

"Our industry does not respect tradition – it only respects innovation."

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The Global Innovation Top 20 R&D

Ranking by R&D Spending	2007	2008	2009	2010	2011	2012	2013
1	Toyota	Toyota	Toyota	Roche	Roche	Toyota	Volkswagen
2	Pfizer	GM	Nokia	Microsoft	Pfizer	Novartis	Samsung
3	Ford	Pfizer	Roche	Nokia	Novartis	Roche	Roche
4	Johnson & Johnson	Nokia	Microsoft	Toyota	Microsoft	Pfizer	Intel
5	Daimler	Johnson & Johnson	GM	Pfizer	Merck	Microsoft	Microsoft
6	GM	Ford	Pfizer	Novartis	Toyota	Samsung	Toyota
7	Microsoft	Microsoft	Johnson & Johnson	Johnson & Johnson	Samsung	Merck	Novartis
8	GlaxoSmithKline	Roche	Ford	Sanofi-Aventis	Nokia	Intel	Merck
9	Siemens	Samsung	Novartis	GlaxoSmithKline	GM	GM	Pfizer
10	IBM	GlaxoSmithKline	Sanofi-Aventis	Samsung	Johnson & Johnson	Nokia	Johnson & Johnson
11	Samsung	Novartis	GlaxoSmithKline	GM	Intel	Volkswagen	General Motors
12	Intel	Sanofi-Aventis	Samsung	IBM	Panasonic	Johnson & Johnson	Google
13	Sanofi-Aventis	IBM	IBM	Intel	GlaxoSmithKline	Sanofi-Aventis	Honda
14	Novartis	Intel	Intel	Merck	Volkswagen	Panasonic	Daimler
15	Volkswagen	AstraZeneca	Siemens	Volkswagen	IBM	Honda	Sanofi
16	Roche	Honda	Honda	Siemens	Sanofi-Aventis	GlaxoSmithKline	IBM
17	Matsushita	Merck	Volkswagen	Cisco	Honda	IBM	GlaxoSmithKline
18	Nokia	Matsushita	AstraZeneca	Panasonic	AstraZeneca	Cisco	Nokia
19	Merck	Volkswagen	Cisco	Honda	Cisco	Daimler	Panasonic
20	Honda	Sony	Panasonic	Ford	Siemens	AstraZeneca	Sony

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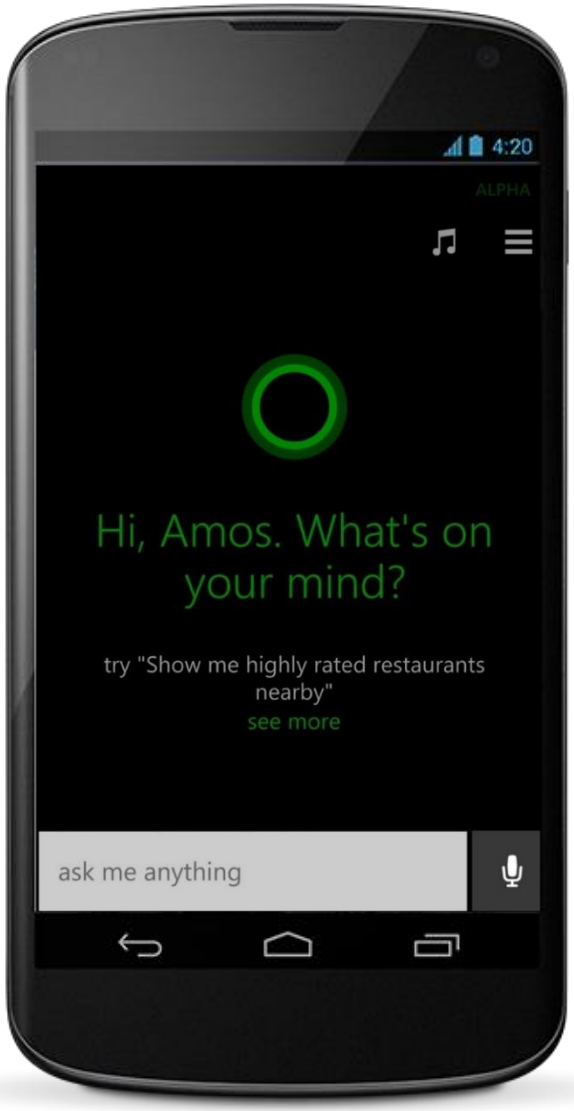
The Global Innovation 1000: Top 20 R&D Spenders 2005-2014

Cortana



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.

Bing Blog April 2nd 2015

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Conclusion

Top 3 trends	Customer expectations	How can Bing help?
Personal	From mass merchandise to personal merchandise	Context and content
Seamless	From the company's channel to "my channel"	From intent to purchase
Differentiated	From standard to standout	Continued innovation

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Thank you

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