

POV: Marketing Impacts Due to COVID-19

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WRAY | WARD

INSPIRED MARKETING COMMUNICATIONS

PURPOSE

Provide information, trends and advice on examining and managing **ongoing marketing communication** campaigns in consideration of the **COVID-19 pandemic** and its impact.

WHY IS THIS IMPORTANT?

In our 10th week of creating this overview of marketing impacts due to the pandemic, we are still facing significant challenges. These include global cases of COVID-19 cresting 5 million and 2.4 million more unemployment claims in the U.S.

Despite this continuing flood of bad news, there are some bright spots providing optimism for the future. **We're seeing state governments relaxing work-related restrictions, citizens generally embracing social distancing best practices in public spaces, and hospitalizations due to the coronavirus continuing to decline.**

Economically, **consumer confidence is holding relatively steady the past few weeks, technology leaders continue to optimize e-commerce solutions while bringing to market potentially life-saving partnerships to help us manage life in a pandemic.**

MARKET TRENDS OVERVIEW

In spite of 2.4 million more unemployment claims and reported cases of COVID-19 cresting 5 million globally, we're seeing some positive week-over-week market indicators.

In addition to local economies starting to open across the country, **consumer optimism has held relatively steady over the past four weeks. Contractors are reporting the worst is behind them, and homebuilder confidence is up seven points in May.**

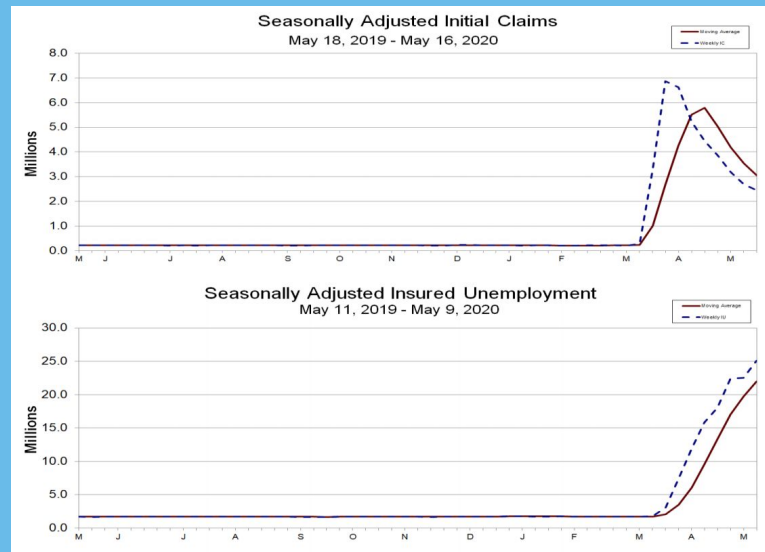
It has been a wild ride for builders. Single-family building permits were up almost 20% in March. Then, in April, almost a quarter of homebuilders reported cutting new home prices. Now, in May, homebuilders and developers are reporting more difficulty securing loans for the first time since 2012.

2.4 MILLION UNEMPLOYMENT CLAIMS LAST WEEK

In the week ending May 16, **the advance figure for seasonally adjusted initial jobless claims was 2,438,000, a decrease of 249,000 from the previous week's revised level.**

The advance seasonally adjusted insured unemployment rate was 17.2 percent for the week ending May 9, an increase of 1.7 percentage points from the previous week's revised rate. **The advance number for seasonally adjusted insured unemployment during the week ending May 9 was 25,073,000.**

- Department of Labor, [Unemployment Insurance Weekly Claims](#), May 21

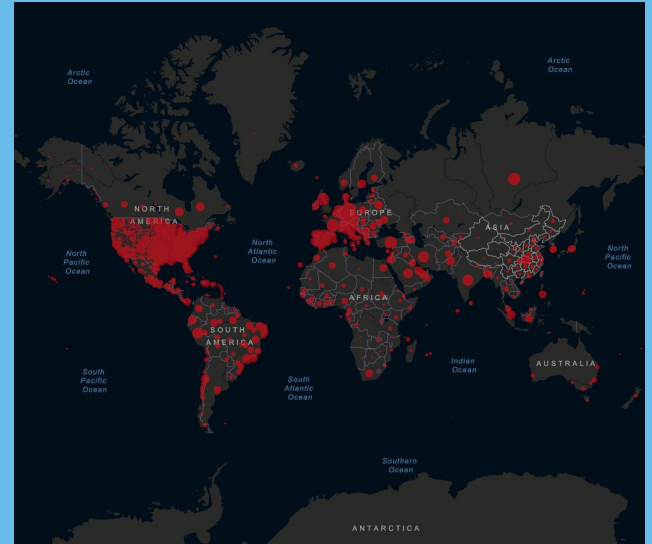


WORLDWIDE COVID-19 CASES TOPS 5 MILLION

Worldwide, confirmed COVID-19 cases have topped 5 million, with more than 1.5 million of those confirmed cases coming from the U.S.

Health and Human Services Secretary Alex Azar said this week that the U.S. has tested a greater number of asymptomatic people compared with other countries. **The U.S. is now conducting more than 300,000 tests per day and has run roughly 10 million tests total.**

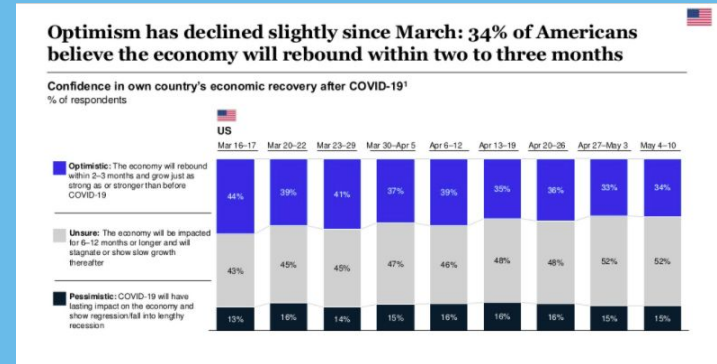
- Johns Hopkins, [Coronavirus Resource Center](#)



CONSUMER OPTIMISM STEADY THE PAST MONTH

U.S. consumers' optimism has remained relatively consistent the past four weeks, with 34% of consumers expecting an economic rebound within two to three months. **Discretionary spending is starting to rebound since mid-March**, led by food, alcohol, pet care, skin care and makeup. **Consumers intend to increase online shopping in core household categories**, a shift that has been driven primarily by millennials and higher-income consumers.

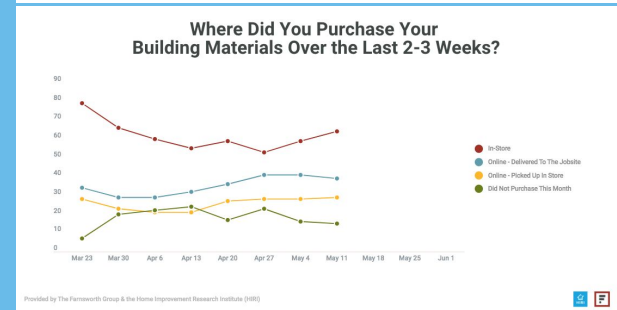
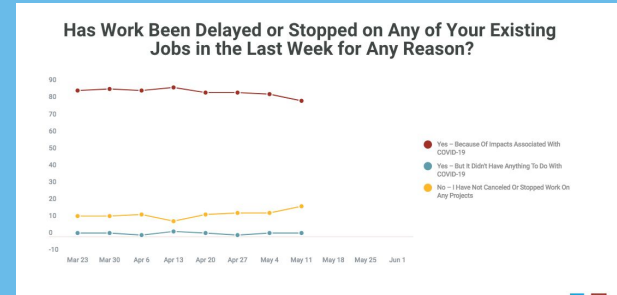
- McKinsey, [Survey: US Consumer Sentiment During the Coronavirus Crisis](#), May 15



FOR CONTRACTORS, WORST MAY BE OVER

The Farnsworth Group reports that data in recent weeks suggests **the worst may be behind contractors: They've seen certain areas level off and even some positive signs of activity.** Overall, the larger the firm, the better they have been able to deal with COVID-19. **Online purchases continue to increase among residential contractors.** Firms with more than \$750K in annual revenue stated they purchased more online than they did in-store over the past few weeks.

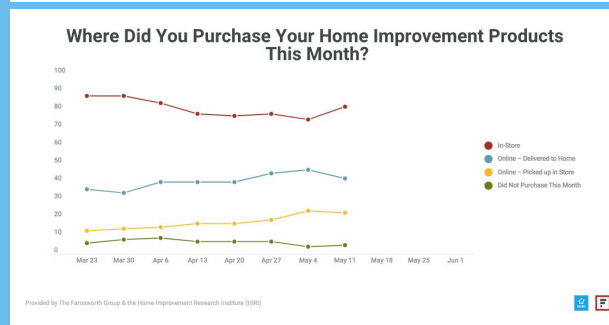
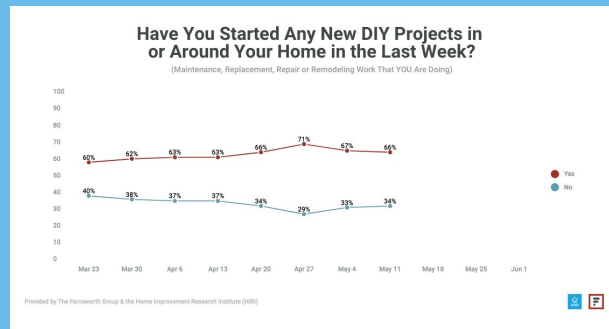
- The Farnsworth Group, [Weekly COVID Impact Tracker \(Pro\)](#)



DIY PROJECT STARTS REMAIN STRONG

The Farnsworth Group has seen a steady increase in the percentage of DIYers doing projects versus the prior week. Intent remains strong, as many homeowners remain at home and are shifting disposable income to home improvement in lieu of entertainment, travel or retail. **The decline of in-store purchases has leveled off in recent weeks, while online purchases continue to increase and take a greater share of overall purchases.**

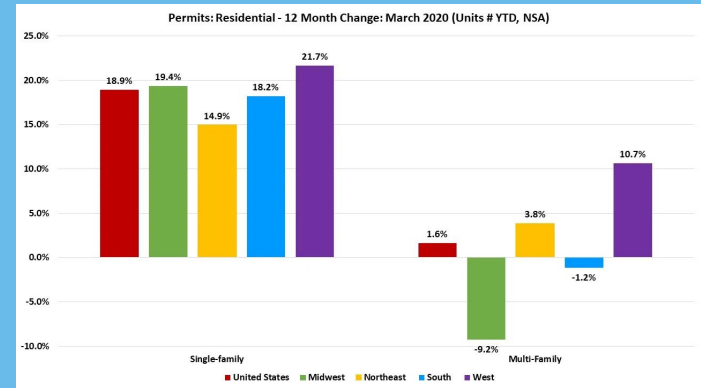
- The Farnsworth Group, [Weekly Covid Impact Tracker \(DIY\)](#)



SINGLE-FAMILY PERMITS UP 19% IN MARCH

Over the first three months of 2020 and prior to the impact of the coronavirus, the total number of single-family permits issued nationwide reached 220,416. **This is an 18.9% increase over the March 2019 level of 185,336.**

From January to March 2020, the total number of multifamily permits issued nationwide reached 108,977. This is 1.6% ahead of the March 2019 level of 107,248.



- National Association of Home Builders,
[Single-Family Permits Were Solid in March](#), May 15

22% OF HOME BUILDERS LOWERED PRICES IN APRIL

The latest NAHB/Housing Market Index (HMI) survey found that **nationally, about 22% of builders cut home prices in April in order to bolster sales and/or limit cancellations.**

Regionally, builders in the South (26%) and Midwest (23%) were the most likely to have reduced prices, compared with much smaller shares in the West (13%) and Northeast (12%).

The 22% of builders reducing home prices in April 2020 is less than half the share of those that cut prices during the last housing recession: 52% in May 2007 and 49% in March 2008.

- LBM Journal, [Survey: 22% of Builders Lowered Prices in April](#), May 20

LOANS GETTING SCARCER FOR BUILDERS

Home builders and developers are finding it harder to borrow for the first time since 2012, the latest element of the economic upheaval brought about by the pandemic, according to the latest quarterly report from the National Association of Home Builders.

The report is based on a survey of NAHB builders and developers on the financing conditions for land acquisition, development and single-family construction. None of the respondents said availability of credit for land acquisition had improved since the fourth quarter, while 26% said it got worse. **Only 6% of respondents said loans for single-family construction were easier to obtain, while 26% reported tighter credit.**

- Barron's, [Loans Are Getting Scarcer for Builders. It Could Be a Problem for Home Buyers](#), May 14

HOMEBUILDER CONFIDENCE UP 7 POINTS IN MAY

In a signal that the housing market is showing signs of stabilizing and gradually moving forward in the wake of the COVID-19 pandemic, **builder confidence in the market for newly-built, single-family homes increased seven points to 37 in May**, according to the latest National Association of Home Builders/Wells Fargo Housing Market Index (HMI). The rise in builder sentiment follows the largest single monthly decline (from 72 to 30) in the history of the index in April.

All the HMI indices posted gains in May. The HMI index gauging current sales conditions increased six points to 42, the component measuring sales expectations in the next six months jumped 10 points to 46, and the measure charting traffic of prospective buyers rose eight points to 21.

- LBM Journal, [Builder Confidence on the Rise After Historic April Drop](#), May 20

MEDIA TRENDS OVERVIEW

Across platforms, we continue to see e-commerce growth including big investments from Facebook this week to roll out new shopping platforms on both Facebook and Instagram.

The day before the Facebook announcement, Pinterest rolled out a new shopping feature called Shopping Spotlights. These platforms are perfect solutions for local businesses that utilize social networks for a majority of their marketing and have scrambled to connect with consumers in order to stay in business through the pandemic.

In bigger macro-trends, **TV viewership is up this year for the first time since 2011**, a trend that eMarketer predicts will not persist post-coronavirus. And, programmatic advertising is down in 2020, due primarily to pullbacks in travel and automotive advertising.

FACEBOOK AND INSTAGRAM ROLL OUT SHOPS

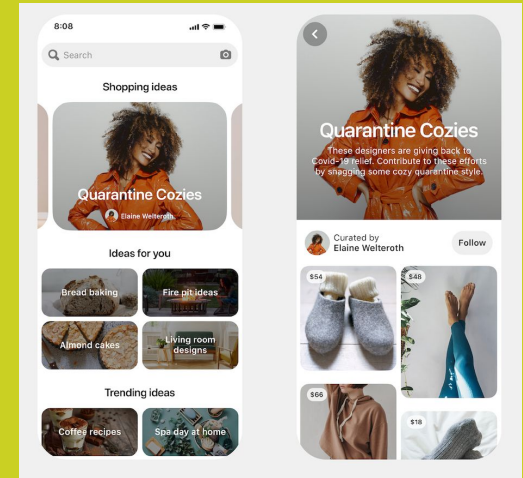
Starting this week, **consumers are able to browse and buy products directly from a business's Facebook page or Instagram profile.** Both Facebook and Instagram already supported a degree of e-commerce, but the company's new tools go further, enabling businesses to create a full-fledged Facebook Shop.

As part of this announcement, **Facebook said it's partnering with Shopify, BigCommerce, Woo, Channel Advisor, CedCommerce, Cafe24, Tienda Nube and Feedonomics.**

Merchants will be able to use these third-party platforms to manage their Facebook Shops as well as the ads tied to those Shops. For example, according to Shopify, "Facebook Shops allows Shopify merchants to get control over customization and merchandising for their storefronts inside Facebook and Instagram, while managing their products, inventory, orders and fulfillment directly from within Shopify."

PINTEREST LAUNCHES SHOPPING SPOTLIGHTS

Pinterest launched Shopping Spotlights, bringing the expert recommendations of influential fashion and home tastemakers as well as publishers directly to users. In addition to editors' picks, users will be able to easily shop curated ideas based on current Pinterest trends. **With the feel of a personal stylist and the look of an editorial magazine, it makes shopping the latest trends as well as product picks of users' favorite influencers and magazines easier than ever.**



- Pinterest, [Pinterest Launches Shopping Spotlights with Influencers and Publishers](#), May 18

U.S. TV VIEWERSHIP TO GROW FOR FIRST TIME SINCE '11

U.S. TV viewership and time spent is getting an unexpected bump as people continue to stay home due to the coronavirus pandemic. But once shelter-in-place measures relax, eMarketer predicts both to decline again.

In 2020, the number of traditional TV viewers are expected to grow by 8.3 million to 287.3 million, the first time viewership will have seen positive growth since 2011. While older TV viewers are driving most of the increase, all age groups posted some growth. Total viewership is expected to fall again in 2021.

- eMarketer, [Americans TV Time will Grow for the First Time since 2011](#), May 18

TV Viewer Growth in the US, by Age, 2019-2022

% change	2019	2020	2021	2022
0-11	-1.5%	2.0%	-4.1%	-1.4%
12-17	-2.2%	2.0%	-4.9%	-1.5%
18-24	-4.0%	2.8%	-4.9%	-1.9%
25-34	-3.2%	4.3%	-3.1%	-1.6%
35-44	-3.8%	3.1%	-4.2%	-1.9%
45-54	-4.4%	2.0%	-5.6%	-2.9%
55-64	-2.2%	1.8%	-3.8%	-3.3%
65+	0.6%	4.9%	-0.2%	1.0%
Total	-2.4%	3.0%	-3.5%	-1.5%

Note: individuals who watch live or recorded video on a television set at least once per month; includes DVR and other prerecorded video such as video downloaded from the internet but saved locally; excludes digital
Source: eMarketer, April 2020

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www.eMarketer.com

PROGRAMMATIC AD SPEND DOWN 9%

Programmatic ad spend is down 9% since the beginning of 2020, driven primarily by pullbacks in travel and automotive advertising.

- Spend in April dropped 9% compared to the beginning of the year.
- Pre-pandemic, travel accounted for nearly 10% of all programmatic ad spend.
- Number of event marketers buying ads programmatically fell by 8%.

- Ad Week, [Programmatic Ad Spend Down 9% Since Beginning of 2020, Driven by Travel and Auto](#), May 18

APPLE AND GOOGLE LAUNCH COVID-19 EXPOSURE API

Apple and Google announced on Wednesday that their coronavirus tracking tools have launched. Government agencies rolling out the apps will have to overcome challenges including adoption rates and privacy concerns surrounding the technology.

The tech companies said that 22 countries, along with several US states, have requested and received access to Apple and Google's exposure notification collaboration, which they first announced on April 13.

CNET, [Apple and Google's Coronavirus Tracking Tools are Out](#), May 20



BRAND TRENDS OVERVIEW

The closest thing to winners during this pandemic have been The Home Depot and Lowe's Home Improvement. According to Q1 2020 earnings calls, both retailers seem to be doing well despite COVID-19. Not all categories are excelling, as some rely on installation services, but as a whole, the two home improvement giants are exceeding sales projections. This type of success naturally impacts consumers' expectations for frictionless shopping experiences, particularly online, where growth for both companies approached 80%.

McKinsey issued a report at the end of April that shows the importance of quick digital learning. McKinsey's survey of 1,500 executives showed that, before the crisis, the best-performing companies had already been accelerating a range of activities to help them learn more quickly.

Production companies are finding creative solutions to overcome the limitations imposed by strict coronavirus-driven restrictions on traditional productions.

Bank of America proved this week that compelling storytelling can take many forms.

HOME IMPROVEMENT SALES SURGE DURING PANDEMIC

Shoppers have flooded retailers Lowe's and The Home Depot during the coronavirus pandemic, stocking up on both essential equipment and materials for quarantine home improvement projects.

Lowe's saw an 11.2% gain in comparable sales in the first quarter. The home improvement retailer saw net sales of \$19.68 billion in revenue, a jump from the retailer's \$17.74 billion earnings in 2019. This includes a sales increase of 80% in the quarter on Lowes.com.

The Home Depot saw sales of \$28.3 billion for the first quarter of fiscal 2020, eclipsing the \$26.3 billion in sales posted in the same period in 2019.

- Business Insider, [Home Improvement Sales Surge During Coronavirus Pandemic](#), May 20

THE HOME DEPOT TOP DIGITAL TRENDS FROM Q1 2020

The Home Depot shared a list of digital trends during their Q1 earnings call. Here are six of the most interesting facts:

1. E-commerce penetration jumped to 15% of all sales in Q1, almost doubling the share of online sales from Dec 2019
2. **Digital sales growth accelerated by 79% over the duration of the quarter.**
3. **Digital growth rates in digital sales tripled in April compared to March.**
4. Buy Online, Pick Up in Store (BOPIS) accounted for 60% of sales.
5. Prominent, “re-accelerated” growth encompassed DIY and smaller pros.
6. **“Very low” perceived cancellation rates of pro projects** due to the pandemic and projects appear to be postponed only temporarily until work can resume.

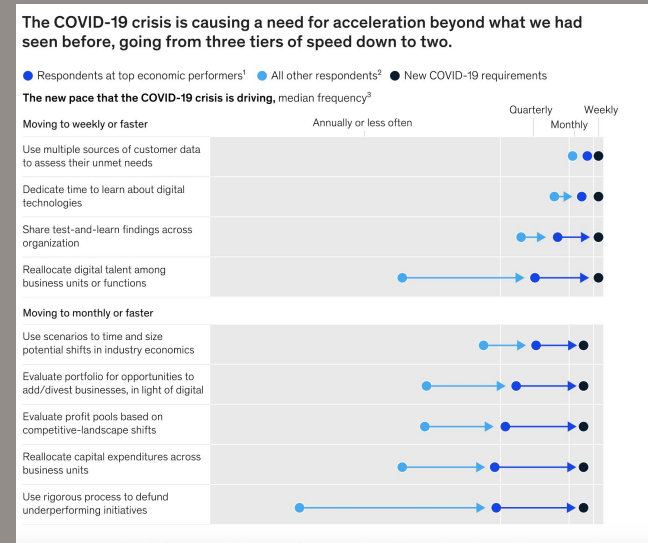
- Market Thrive, [Top 10 Home Depot Digital Takeaways from the Pandemic](#), May 19

COVID-19 ACCELERATING DIGITAL STRATEGY CREATION

Businesses that once mapped digital strategy in one- to three-year phases must now scale their initiatives in a matter of days or weeks. Leadership teams need to learn quickly what is and is not working, and why. This requires identifying and learning about unknown elements as quickly as they appear.

McKinsey's survey of 1,500 executives showed that, before the crisis, the best-performing companies, those in the top decile for organic growth, had already been accelerating across a range of activities to help them learn more quickly.

- McKinsey, Digital Strategy in a Time of Crisis, April 2020



HOW THE VIRUS MAY CHANGE YOUR NEXT HOME

A feature story in the New York Times takes a look at the way apartment design will change due to the coronavirus pandemic. It's an interesting projection of consumer needs, highlighting five key design changes:

- More flexible spaces
- Access to the outdoors
- Thoughtful storage areas
- Enhanced technology
- A better entrance
- A stronger city (better use of outdoor spaces)

These trends provide an opportunity for brands to provide building, design and lifestyle solutions.

- The New York Times, [How the Virus May Change Your Next Home](#), May 12

VIDEO PRODUCTION FINDING CREATIVE SOLUTIONS

Bank of America unveiled a new TV spot this week called, “A Commencement for America: Tomorrow Starts Today.”

This spot creates emotion through exceptional copy, editing, music and sound. It is an excellent example of the type of creative approaches that are possible within the current production constraints caused by the pandemic.

As lights slowly switch on in homes and businesses across the country, Bank of America says it is committed to helping you move forward into a better tomorrow.

- iSpot.tv, [Bank of America TV Commercial, 'A Commencement for America: Tomorrow Starts Today'](#)



WHAT'S NEXT?

Wray Ward is dedicated to helping you navigate the business and marketing impacts from this pandemic. Our teams are here to help you think strategically and activate swiftly, while finding creative solutions to the challenges that may be changing by the hour. We have immense tools at our disposal that help us understand audience behavior and deliver communications that perform. While the future is uncertain, many of the fundamentals haven't changed. Our promise to you is that your team at Wray Ward will do everything we can to stay in front of changing market conditions, provide the best counsel possible and keep you informed. We will provide ongoing updates on market, media and brand trends as this crisis unfolds.

EXTERNAL SOURCES CITED

- Department of Labor
- Johns Hopkins
- McKinsey
- The Farnsworth Group
- National Association of Home Builder's
- Barron's
- LBM Journal
- Tech Crunch
- Pinterest
- eMarketer
- Ad Week
- CNET
- Business Insider
- Market Thrive
- The New York Times
- iSpot.tv

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