

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?

On March 20, we began this POV series with the words, “The immediate future is uncertain.” The truth in that statement is one of the few things that hasn’t changed since then.

It’s been a wild 11 weeks. **This week, we’re not only seeing a light at the end of the tunnel, but the landscape on the other side is starting to come into view.**

As states begin to reopen nationwide and citizens choose sides in the great face mask debate, **consumer and business confidence are beginning to grow amid strong stock market trends, rekindled residential home sales and positive remodeling signs.**

Meanwhile, brands continue to face changing consumer expectations across messaging, e-commerce and retail. **The challenges are real, but the comeback is beginning.**

MARKET TRENDS OVERVIEW

Mostly positive trends dominate this week's market news. While new employment claims remain high, **total unemployment is dropping fast.** With rapidly increasing coronavirus testing comes a sharp spike in cases, yet **death rates and daily deaths in the U.S. continue to fall as 49 states navigate some form of reopening.**

Consumer confidence is holding steady, while **homebuyers are returning to the market in droves,** taking advantage of low interest rates and the available housing stock.

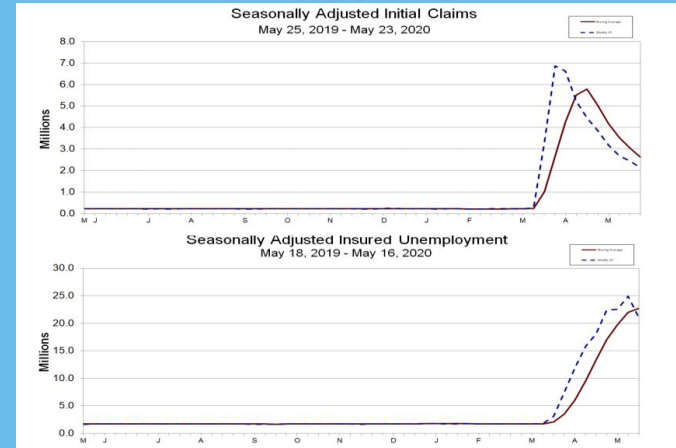
Contractor purchasing trends continue to improve, with only 8% of contractors reporting no purchases during the past two to three weeks, a number on par with reports the week of March 23. Interior designers are becoming more optimistic as well, with **the number of designers who say the coronavirus has had “no impact” on their business almost doubling, from 26 to 51%.**

TOTAL UNEMPLOYMENT DROPS 3.8M TO 21M

In the week ending May 23, **the advance figure for seasonally adjusted initial jobless claims was 2,123,000, a decrease of 323,000 from the previous week's revised level.**

Setting a clearer picture of how many people are out of work, the insured unemployment rate was 14.5%, a decrease of 2.6 percentage points from the previous week's revised rate. **The advance number for seasonally adjusted insured unemployment was 21,052,000, a decrease of 3,860,000 from the previous week's revised level.**

- Department of Labor, [Unemployment Insurance Weekly Claims](#), May 28

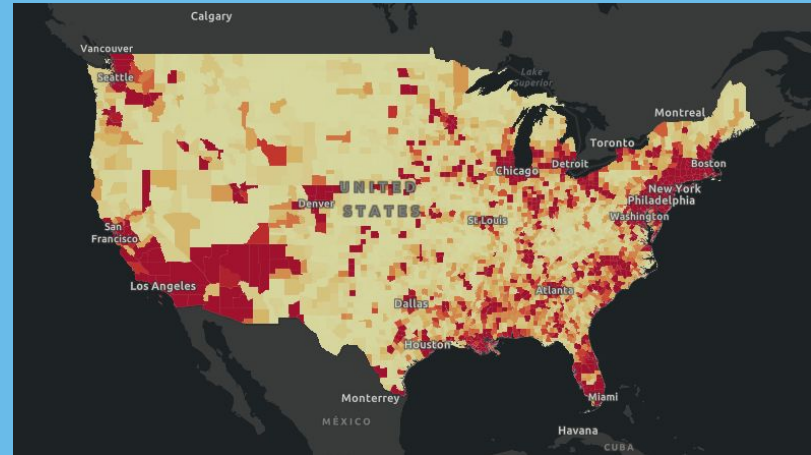


WORLDWIDE COVID-19 CASES APPROACH 6 MILLION

Worldwide, confirmed COVID-19 cases have topped 5.7 million, with almost 1.7 million of those confirmed cases coming from the U.S., according to Johns Hopkins.

According to the [CDC](#), 15.7M tests have been conducted in the U.S., with almost 1.9M positive results.

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



49 STATES IN SOME STAGE OF REOPENING

All states except New Jersey are in some stage of reopening, with the vast majority in some form of full reopening. Social distancing measures remain.

A state is categorized as “reopening” once its stay-at-home order lifts, or once reopening is permitted in at least one major sector (restaurants, retail stores, personal care businesses), or once reopening is permitted in a combination of smaller sectors.

- The New York Times, [See How All 50 States Are Reopening](#), May 28



CONSUMER CONFIDENCE INDEX HOLDS STEADY

The Conference Board Consumer Confidence Index held steady in May following a sharp decline in April. The Index now stands at 86.6 (1985=100), up from 85.7 in April. The Present Situation Index, based on consumers' assessment of current business and labor market conditions, declined from 73.0 to 71.1. However, **the Expectations Index, based on consumers' short-term outlook for income, business and labor market conditions, improved from 94.3 in April to 96.9 this month.**

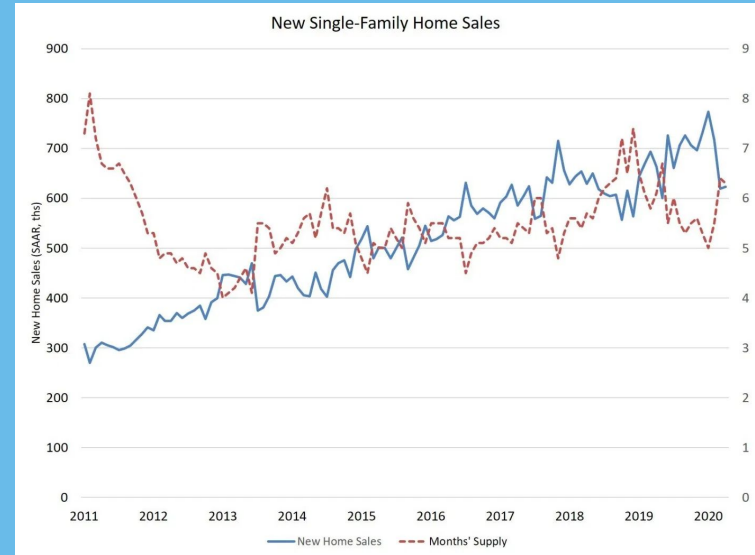
- The Conference Board, [Consumer Confidence Index Stabilizes in May](#), May 26

NEW HOME SALES OUTPERFORM EXPECTATIONS

After weakening in March, the volume of new home sales came in much better than expected in April (+1% vs. -22% projected).

Due to economic challenges associated with COVID-19, the National Association of Home Builders (NAHB) predicted an additional sales decline in April. However, new home sales estimates from the Census Bureau reveal relatively flat conditions compared to March.

- NAHB, [New Home Sales Over Perform in April?](#), May 26



HOME MORTGAGE APPLICATIONS RISING QUICKLY

After a sharp pullback, homebuyers are now piling back into the housing market much more quickly than expected.

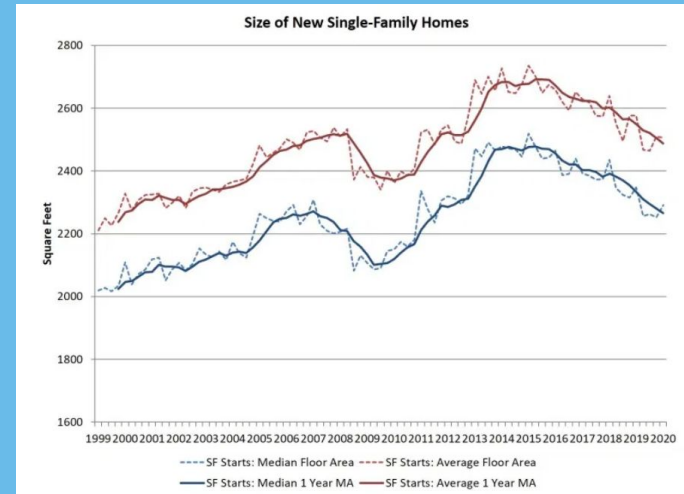
Mortgage applications to purchase a home rose 9% last week from the previous week and from a year earlier, according to the Mortgage Bankers Association's seasonally adjusted index. It was the sixth straight week of gains and a 54% recovery since early April.

- CNBC, [Mortgage Demand from Homebuyers Shows Unexpectedly Strong and Quick Recovery](#), May 27

NEW SINGLE-FAMILY HOME SIZE DECLINES ENDING?

New single-family home size has trended lower over the last four years, as builders sought to add additional entry-level supply to an inventory-starved housing market. However, the coronavirus and the recession of 2020 potentially reset those trends, with growing evidence that households will seek more space for home offices, home gyms and other purposes.

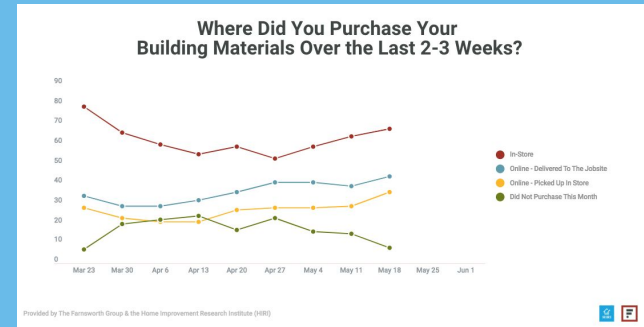
- NAHB, [New Single-Family Home Size Declines Ending?](#), May 22



CONTRACTOR PURCHASING TRENDS IMPROVING

The Farnsworth Group reports continue to show some initial positive signs that contractors are beginning to move forward with new projects. Shopping in-store is beginning to rise along with continued growth in online purchasing. **The percentage of contractors reporting they did not purchase products during the past 2-3 weeks is down to only 8%, roughly the same number as the week of March 23 and down from 24% at the peak of the crisis.**

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



INTERIOR DESIGNER CONFIDENCE RETURNING

Over the last month, the number of designers who say the coronavirus has had “no impact” on their business has almost doubled, from 26 to 51%.

The takeaway? Designers have rapidly figured out how to make it work. A more worrisome signal is the 35% of designers who are still expressing “high concern” over COVID-19, though that number has dropped from 41%.

- Business of Home, [COVID-19's Impact on Interior Design, By the Numbers](#), May 13

HOME IMPROVEMENT PROJECTS CONTINUE

Of homeowners who were in the midst of a home renovation or design project when the coronavirus outbreak became a pandemic on March 11, 52% were able to continue with their renovations.

The survey of nearly 1,000 U.S. homeowners on Houzz found that only 1% canceled an ongoing project. Of the 47% of homeowners who put their projects on hold, two in five felt their project was not urgent and could resume at a later date.

Three-quarters of homeowners on Houzz with ongoing residential renovation and design projects are working with home professionals.

- Houzz, [Major Home Improvement Projects Continue During Coronavirus Pandemic, Houzz Study Finds](#), May 20

HOW HAS THE PANDEMIC CHANGED RESEARCH?

We asked Erin Gallagher, chief of insights at the Research Institute for Cooking and Kitchen Intelligence (RICKI), how the pandemic has changed RICKI projects that take a look at the kitchen and bath industry.

“We scope out studies for RICKI members a good six months in advance, but with lockdowns in place, **questions about even something as straightforward as how often people go out to eat become tricky, especially if it’s a tracking study** – Q2 2020 is likely going to look very different from Q2 2019 simply because people's daily lives have changed in so many ways.

“Another example is ethnographic research which we conduct in-home or in-store. Forget about that method for now! Same with in-person focus groups. For those projects appropriate for more of a qualitative approach, **online focus groups deliver great insights from both industry professionals on RICKI’s Designer Panel as well as consumers.**”

MEDIA TRENDS OVERVIEW

A new study out this week shows consumers becoming more efficient with online shopping during the pandemic, visiting fewer pages and spending less time on each page before making a decision to buy or bounce. This makes sense as retailer after retailer is reporting huge spikes in e-commerce.

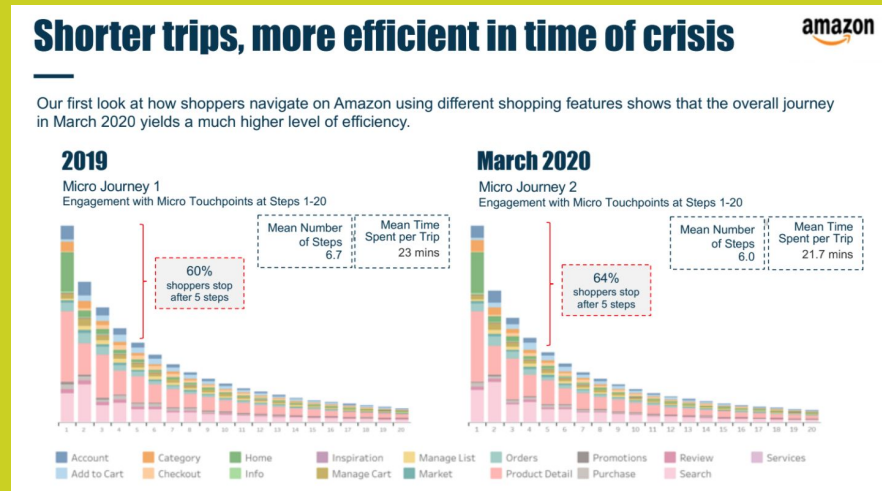
Celebrities threw their hat in the media ring early on in this crisis by creating shows and live experiences on YouTube, Instagram and TikTok. **One of those celebrities found himself in fan's crosshairs this week after selling the YouTube program he built during the past couple months to CBSViacom for big dollars.**

And while streaming viewership is up, **Quibi is learning the hard way that a pandemic is not the best time to launch a platform for streaming micro-stories.**

ONLINE SHOPPING MORE EFFICIENT DURING CRISIS

Research shows more efficient shopping on Amazon during March 2020 compared to 2019. With some variations, other major mass retailers largely mirror the efficiency trend on Amazon, particularly in terms of reduction in time per step. **The retailer homepage is also carrying much more importance than ever before, resulting in an increased use of site search functionality.**

- Luth Research, [How Do eCommerce Behaviors Change](#)

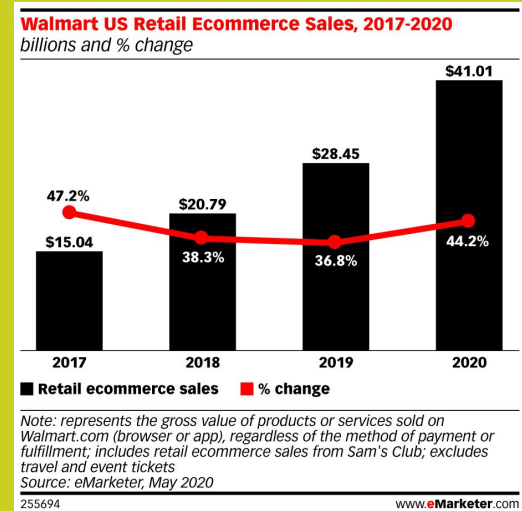


WALMART IS AN E-COMMERCE WINNER

Walmart's U.S. e-commerce sales are expected to rise 44.2% to more than \$41 billion this year, a significant bump from 2019's stellar 36.8% growth.

In the company's fiscal 2021 Q1 results, Walmart's digital sales surged 74%, nearly double the 37% growth rate during the same period last year. In Walmart's earnings call, company president Doug McMillon noted, "The number of new customers using pickup and delivery had increased fourfold since mid-March."

- eMarketer, [Walmart is an eCommerce Winner During the Pandemic](#), May 25, 2020



HEARST SITES CONTINUE TO DRIVE INCREASED SALES

Hearst sites continue to drive product sales for advertisers. **This past week, Hearst drove the sales of 476K products, worth more than \$18.9 million, down slightly over Mother's Day weekend last week but up 310% compared to last year.**

Mother's Day gifts, face masks, bedding, technology and appliances drove sales this month.

- Hearst Magazines Advertising Representative

QUIBI STRUGGLING TO MEET ADVERTISER EXPECTATIONS

Early results from Quibi indicate that launching a video streaming service during a pandemic might not be the best idea.

Quibi's debut has not gone well, resulting in some of Quibi's launch advertisers asking to defer their payments because of the service's low viewership. Advertisers asking to delay their payments is not the same as advertisers asking for their money back, but it's a step down that path and suggests the road is getting even rockier for Quibi.

- Wall Street Journal, [Advertisers Seek to Revise Deal Terms With Streamer Quibi](#), May 26

KRASINSKI SELLS 'SOME GOOD NEWS' TO VIACOMCBS

John Krasinski's hit YouTube series, *Some Good News*, started during the pandemic as a feel-good web series focused on making good news more fully represented in everyday lives. The series sold out to ViacomCBS following what's being reported as a massive bidding war.

Krasinski will no longer host new episodes following the acquisition, although he will serve as an executive producer. This news didn't sit well with some fans, especially since the move puts the show behind a paywall.

- USA Today, [John Krasinski Sells 'Some Good News' Web Series to CBS; Some Fans aren't Happy](#), May 22



BRAND TRENDS OVERVIEW

Wellness, meaning things and experiences that actually do a body or our collective bodies good, is expected to lead the recovery across the luxury market. **And, experts are saying that Gen Z may be the generation that leads the luxury market recovery.** It may be a shock that the generation with the thinnest wallets has the most spending confidence, but then again Gen Z hasn't been through a tough economy before as adults.

Online food ordering is projected to be up 25% this year, which isn't too surprising.

It also probably doesn't come as a surprise that by mid-April, almost 20% of TV advertising creative was related to COVID-19. This trend is causing some viewers to yearn for the good old days when the best ads were entertaining, maybe brought a laugh or simply focused on the company's products.

LUXURY BRAND RECOVERY TO BE DRIVEN BY WELLNESS

Of all luxury sectors, the **\$4.5 trillion global wellness sector will benefit most from the pandemic reset**. Think products and services that offer real wellness benefits – that is, things and experiences that actually do a body or our collective bodies good, rather than those that just do less damage to the person or environment.

- Forbes, [Luxury Brands, Get Ready: Wellbeing Will Emerge As A Huge Trend After Coronavirus](#), May 3



LUXURY MARKETERS MAY BE MISSING AN OPPORTUNITY

The luxury market is expected to shrink, luxury sales have plummeted, and luxury brands have largely stopped advertising. But there's a catch.

A just-released survey from Adobe Advertising Cloud reveals that **a significant chunk of the American population is still buying luxury goods and, surprisingly enough, still wants to see luxury advertising. What's more, that group is Gen Z, the under-25 consumers who statistically lack the job security and affluence that many older buyers enjoy.**

Older shoppers are one demo that luxury brands may wish to avoid. Gen X and Boomers each report by a margin of 76% that they're "hesitant" to buy luxury goods at this time. Millennials aren't far behind, with 75% saying they're not feeling great about luxury shopping. Only Gen Z seems to be into the idea by a significant margin.

ONLINE FOOD DELIVERY MARKET TO REACH \$26B

In 2020, the U.S. online food delivery market is expected to reach \$26 billion in total market size. That's a 25% increase in platform-to-consumer deliveries and a 17% increase in restaurant-to-consumer deliveries from the year before as a result of COVID-19.

- Ask Wonder, [State of Food Delivery in the U.S.](#), May 19

COVID-THEMED ADS ALMOST 20% OF TV CREATIVE UNITS

In the thick of massive TV advertising changes from the end of March through mid-April, **Nielsen says the number of COVID-19-related TV ads airing on national TV and local TV stations doubled** over the three-week period.

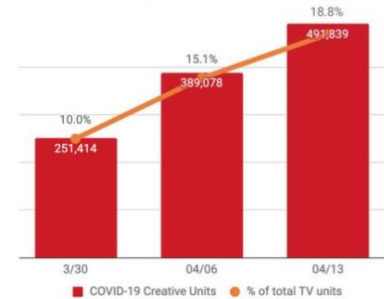
For the week beginning April 13, **COVID-19 messages tied to major brands represented 19% (491,839 ad units) of the total amount of U.S. ad units on national and local TV.**

- MediaPost, [COVID-19 Themed Ads Surge, Approaches One Fifth Of All TV Creative Units](#), May 28

COVID-19 Themed Ads Surge, Approaches One Fifth Of All TV Creative Units

by Wayne Friedman, 4 hours ago

Growth of COVID-19 creative units



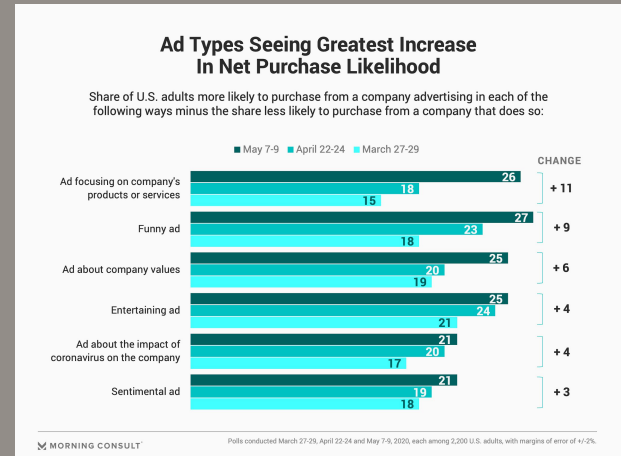
Source: Nielsen. Weeks beginning March 30, April 6 and April 13.

DEAR BRANDS, LIGHTEN UP. SINCERELY, CONSUMERS

Funny ads, ads about company values, entertaining ads and even ads about the impact of the virus on the advertising company have all gained appeal since late March. With more than a quarter of adults now interested in ads about products and services, an 11% uptick since late March, it's clear that consumers are increasingly craving a return to normalcy, or at least some semblance of it.

We were just saying the same thing last week.

- Morning Consult, Dear Brands. Please Lighten Up. Sincerely, Consumers, May 14



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
- The Conference Board
- National Association of Home Builders
- CNBC
- The Farnsworth Group
- Business of Home
- Houzz
- RICKI
- LUTH Research
- eMarketer
- Hearst
- Wall Street Journal
- USA Today
- Forbes
- Adweek
- Media Post
- Morning Consult

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