

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?

As our country struggles to get back on its feet in the wake of a pandemic, the visible effects of racial tension are also now gripping communities nationwide. Amid protests and riots thrown into stark relief by the 24/7 news cycle and social media feeds, brands have a lot of questions. How do we respond as a company? How do we talk to our teams? How do we talk to our customers? How do we keep our business moving in the midst of all of these changing dynamics? How do we do what's right?

We don't have all of the answers, but we are working hard to find them.

At Wray Ward, **we take a stand with all those who hope for and work toward justice, peace and healing.** We love our city, our country and her people. We believe we must lean into and listen to each other. **We must use our voices to demand accountability. And, we must use our talent and influence to drive change. We all must do better.**

MARKET TRENDS OVERVIEW

Total U.S. COVID-19 cases continue to climb as states begin opening their retail and service economies, while total unemployment through the week ending May 30 held steady at just under 15%.

Minorities have faced a double whammy from the coronavirus – negative health impacts and unemployment rates that are trending higher than national averages.

Despite the continual drumbeat of bad news, **the stock market continues to react positively to reports “not being as bad as expected,” with the NASDAQ 100 reaching record highs this week.** Airlines are starting to feel a little more bullish too, as they plan to increase flights across the summer months.

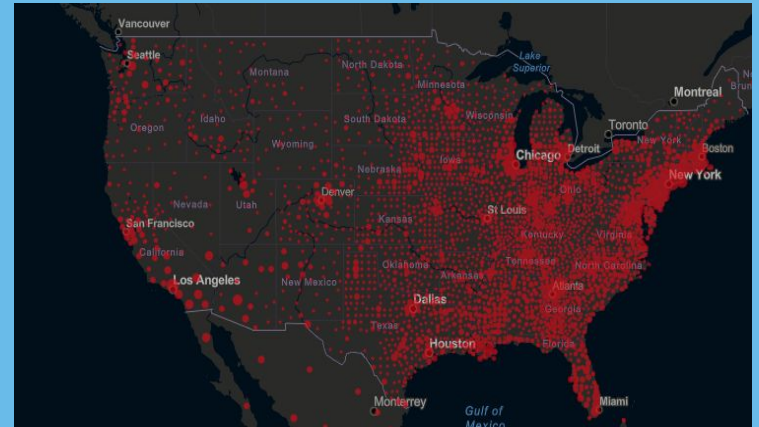
Homebuilding, remodeling and DIY indicators are all holding steady from previous weeks' reports.

U.S. COVID-19 CASES TOP 1.8M

Confirmed cases of COVID-19 in the United States topped 1.8M this week. Total deaths related to COVID-19 in the U.S. topped 107K, with 387K deaths reported globally.

According to the [CDC](#), 19.3M tests have been conducted in the U.S., with 2.24M positive results.

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

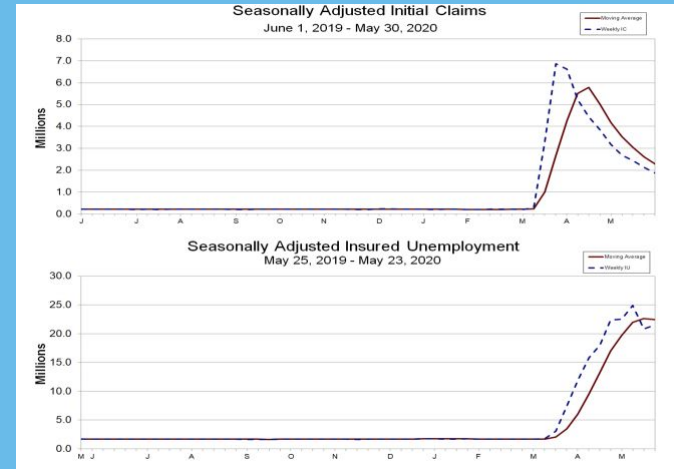


TOTAL UNEMPLOYMENT TICKS UP SLIGHTLY TO 14.8%

In the week ending May 30, the advance figure for seasonally adjusted initial jobless claims was 1,877,000, a decrease of 249,000 from the previous week's revised level.

Setting a clearer picture of how many people are out of work, the insured unemployment rate was 14.8%, a .5% increase from the previous week's revised rate. **The advance number for seasonally adjusted insured unemployment was 21,487,000, an increase of 649,000 from the previous week's revised level.**

- Department of Labor, [Unemployment Insurance Weekly Claims](#), June 3



MINORITIES HIT WITH DOUBLE WHAMMY

Record-high jobless numbers among minorities suggest the current crisis may hit these communities harder than the Great Recession. In April, unemployment hit 16% among African-Americans and 18% among Hispanics.

The unemployment numbers for the current crisis are already as bad as the last recession. African-American unemployment peaked at more than 16% in 2010. For Hispanics, unemployment hit a high of 13% in 2009. The unemployment rate among both groups did not return to pre-recession levels until late 2016.

The economic blow comes at the same time minorities are getting hit disproportionately hard by the coronavirus. According to [APM Research Lab](#), Black Americans continue to die at a rate roughly twice that of their population share. Collectively, Black Americans represent 12.9% of the population but account for 25% of deaths.

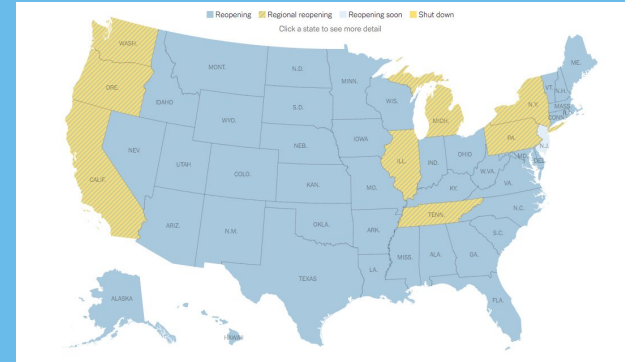
- Roll Call, [Minority Groups Hit Hard by Crisis Seek More Congressional Aid](#), June 3

49 STATES IN SOME STAGE OF REOPENING

New Jersey remains the last state yet to move into some stage of reopening, with plans to begin reopening next week. Social distancing measures remain in effect in most locales, while the impact of citizens protesting in the thousands will be seen in the next few weeks.

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](#), June 3



NASDAQ 100 HITS ALL-TIME HIGH

The Nasdaq-100 index rose to a record high on Thursday, becoming the first major U.S. stock index to fully erase its losses from the coronavirus pandemic sell-off.

Shares of eBay and United Airlines were among the best performers in the Nasdaq 100, gaining 6.2% and 4.1%, respectively. Amazon, Tesla, Netflix and Costco, shares that have led the index's run back to record levels, also traded higher.

- CNBC, [Nasdaq-100 Index Hits Record High, Erasing Losses from Coronavirus Pandemic](#), June 3



PAYROLLS DECLINE BY 2.76M; MUCH LESS THAN FEARED

Private payrolls fell by 2.76M in May, according to a report Wednesday from ADP. The total comes on top of a plunge of 19.6M in April, the worst in the survey's history. Economists had projected a decline of 8.75M in May.

Job losses were especially deep in large businesses, which reported a decline of more than 1.6M. Manufacturing took one of the biggest hits, as the sector lost 719K workers.

With that said, the reported total was well below the 8.75M estimate from economists surveyed by Dow Jones and could be another sign that the worst of the coronavirus-related layoffs is over.

- CNBC, [Private Payrolls Decline by 2.76 Million in May, ADP says, a Much Smaller Drop than Feared](#), June 2

HEALTH, ECONOMIC AND FOOD SECURITY IMPACTS

Three in 10 adults (31%) say they have fallen behind in paying bills or had problems affording household expenses like food or health insurance coverage since February due to the coronavirus outbreak. Additionally, one in four Americans (26%) say they or someone in their household have skipped meals or relied on charity or government food programs since February, including 16% who say this was due to the impact of COVID-19 on their finances. **The share who say they have skipped meals or relied on charity or government food programs due to coronavirus is higher among those in households that have lost a job or income due to coronavirus (30%) and among Black adults (30%) and Latinos (26%).**

- Kaiser Family Foundation, [KFF Health Tracking Poll - May 2020](#), May 27

AMERICAN AIRLINES INCREASING SUMMER FLIGHTS

American Airlines announced on Thursday that it plans to fly at more than 55% of its July 2019 domestic capacity in July 2020. The airline's May 2020 domestic schedule was only 20% compared to 2019.

The airline is offering additional incentives to bring travelers back, including offering double AAdvantage® miles for flights booked in June, re-opening key Admirals Club lounges, expanding flexible policies and continuing its robust health, well-being and cleaning procedures.

Delta, United and other airlines have announced plans to increase summer schedules as well.

- American Airlines, [Bring on Summer](#), June 3

ONLY 52% OF BUILDERS USED INCENTIVES IN MAY

The NAHB/Wells Fargo Housing Market Index survey conducted in May 2020 reveals that **48% of single-family builders are not using incentives to bolster sales and/or limit cancellations.** This, of course, implies that **slightly more than half (52%) are using some kind of incentive to achieve that objective.**

Historical context for the current findings is important in order to understand prior use of incentives. **The use of incentives was much more widespread during the last housing recession, with 73% (May 2007) and 71% (March 2008) of builders reporting usage. By April 2019, the share had fallen to 64%.**

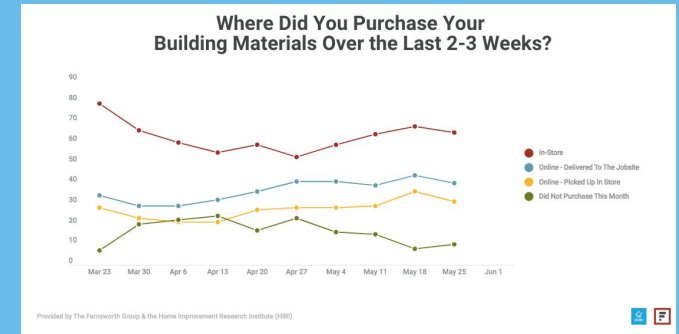
- National Association of Home Builders, [52% of Builders Used Incentives to Bolster Sales in May 2020](#), June 1

CONTRACTOR PURCHASING TRENDS LEVELING OFF

The Farnsworth Group reports show contractor shopping trends leveling off the past few weeks.

The percentage of contractors reporting they did not purchase products during the past 2-3 weeks has stayed relatively flat at 10%, down from highs of 24% at the peak of the crisis in mid-April.

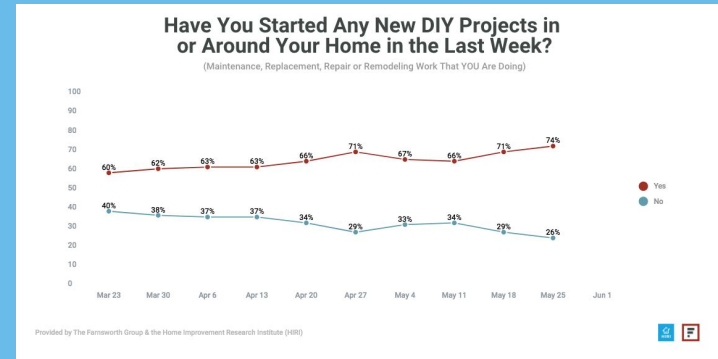
- The Farnsworth Group, [Weekly COVID Impact Tracker \(Pro\)](#)



DIY PROJECT GROWTH CONTINUES

The Farnsworth Group reports a **steady increase in the percentage of DIYers doing projects versus the prior week.** Intent remains strong, as many homeowners remain at home and have disposable income being shifted to home improvement in lieu of entertainment, travel or retail.

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



MEDIA TRENDS OVERVIEW

This week, the news media moved from non-stop pandemic coverage to non-stop protest coverage. Many brands have stopping advertising completely this week in solidarity with protests and/or to avoid proximity to this content.

#BlackOutTuesday was a powerful movement on social media this week, with brands, influencers and regular users uniting in support of peaceful protests and calls for change.

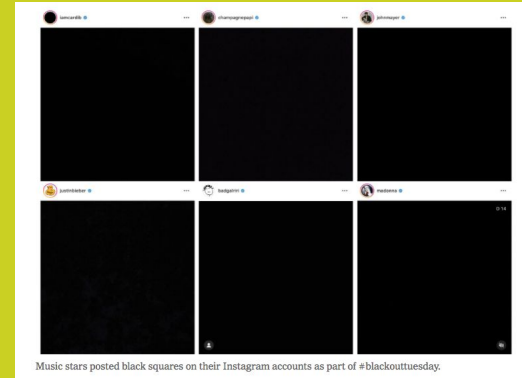
More tradeshows and events were canceled this week, with **CEDIA Expo and the Architectural Digest Design Show getting the ax for 2020**. However, **CES 2021 is still on**.

#BLACKOUTTUESDAY BECOMES SOCIAL MOMENT

#BlackOutTuesday began as an attempt by two music insiders to pause business as usual across the industry on Tuesday in response to the protests sweeping the nation. However, on social media, it broadened and morphed into a less-focused action, resulting in a sea of black boxes across Instagram and other platforms.

The corporate displays of support, which have stretched far beyond the music business, followed a weekend in which many top-tier artists took to the streets or their social media channels in protest.

- The New York Times, [#BlackoutTuesday: A Music Industry Protest Becomes a Social Media Moment](#), June 3



NIELSEN OFFERS GLOBAL ADVERTISING ADVICE

With COVID-19 here to stay for at least the medium-term, making use of highly engaged online audiences has never been more critical in order to reverse shrinking margins.

During the COVID-19 period, CPM rates dramatically dropped around the world, providing an opportunity for many small to medium advertisers to buy impressions at a lower price point. Some brands have viewed advertising right now as too risky for their image, whereas others have capitalized on a cost-effective opportunity to reach large audiences. **At this stage of the pandemic, the best decision for marketers is to act on short- to medium-term timelines and constantly reevaluate opportunity and risks whilst making use of the record-low CPM rates.**

- Nielsen, [Navigating the Challenges of Digital Advertising During a Global Pandemic](#), May 28

CEDIA EXPO CANCELLED; VIRTUAL EVENT DEVELOPED

CEDIA Expo 2020, the annual trade show aimed at the burgeoning home-technology market, has become the latest major live event to be cancelled in 2020 due to the impact of the COVID-19 pandemic.

Emerald Expositions, the company that manages CEDIA – along with ~140 other live events including the Kitchen & Bath Industry Show (KBIS) – last week announced the cancellation of the five-day CEDIA Expo, previously scheduled for Sept. 8-12 at the Colorado Convention Center in Denver.

Emerald said it is developing a “virtual experience” for potential event attendees including keynote addresses, educational conferences, networking opportunities and an interactive expo hall. The next in-person CEDIA Expo will take place Sept. 1-3, 2021 in Indianapolis, the company added.

STATE-CONTROLLED MEDIA ADS BLOCKED BY FACEBOOK

Facebook said Thursday it will begin blocking state-controlled media outlets from buying advertising in the U.S. this summer. It's also rolling out a new set of labels to provide users with transparency around ads and posts from state-controlled outlets. Outlets that feel wrongly labeled can appeal the process.

The purpose of labeling these outlets is to give users transparency about any kind of potential bias a state-backed entity may have when providing information to U.S. users. Nathaniel Gleicher, Facebook's head of security policy, says the company hasn't seen many examples yet of foreign governments using advertising to promote manipulative content to U.S. users, but that the platform is taking this action out of an abundance of caution ahead of the 2020 election.

- Axios, [Facebook to Block Ads from State-Controlled Media Entities in the U.S.](#), June 4

PINTEREST ADDS SHOP TAB TO LENS CAMERA SEARCH

Pinterest launched a new “Shop” tab in its Lens camera search results. The feature shows matching in-stock merchandise, similar to a photo taken in the real world (offline) or uploaded as a screenshot.

Pinterest says it’s now seeing as many as three times the number of visual searches using the Pinterest camera compared with 2019. The Shop tab’s debut follows [a Shopify partnership](#) that makes it easier for small businesses to upload their product catalogs to Pinterest, as well as last week’s launch of [shopping spotlights](#) — trends curated by influencers and publishers.

- TechCrunch, [Pinterest Adds a ‘Shop’ tab to its Lens Camera Search Results to Showcase Matching In-Stock Products](#), June 1

BRAND TRENDS OVERVIEW

Brands continue to face challenging decisions, maybe now more than ever as recent protests add to continuing challenges from the pandemic.

Brands are seeing an even greater demand for action in addition to statements in support of equality. Expectations have risen.

Apple CEO Tim Cook issued a list of commitments through an open letter on the company's website, YouTube pledged \$1M in support of efforts to address social injustice, and LEGO pulled marketing for their products depicting first responders and pledged \$4M in support.

In global trends, brand spending on advertising is now projected to be down \$50B in 2020 due to impacts from the pandemic.

BRANDS CALLED ON TO OFFER MORE THAN WORDS

Lewis Williams, CCO and EVP at Chicago's powerhouse multicultural marketing firm Burrell Communications, cited numerous reasons for brands' sudden willingness to join forces with protesters. Williams said that when it comes to the relationship that younger generations have with brands, **“Everyone’s expectations have increased.”**

Brands have to offer something measurable, said Williams, because today’s consumers expect more than just words — especially after the way brands responded to the COVID-19 pandemic by throwing millions of dollars in donations at various communities.

Many brands who offered words of support on social media this week received follower responses to the tune of, “Open your purse.”

- AdWeek, [Brands Are Increasingly Supporting #BlackLivesMatter, But Advocates Want More Than Words](#), June 1

APPLE CEO TIM COOK SPEAKS UP ON RACISM

“Right now, there is a pain deeply etched in the soul of our nation and in the hearts of millions. To stand together, we must stand up for one another, and recognize the fear, hurt, and outrage rightly provoked by the senseless killing of George Floyd and a much longer history of racism.

That painful past is still present today — not only in the form of violence, but in the everyday experience of deeply rooted discrimination. We see it in our criminal justice system, in the disproportionate toll of disease on Black and Brown communities, in the inequalities in neighborhood services and the educations our children receive.

While our laws have changed, the reality is that their protections are still not universally applied. **We’ve seen progress since the America I grew up in, but it is similarly true that communities of color continue to endure discrimination and trauma.”**

- Tim Cook, CEO, Apple, [Speaking Up on Racism](#), June 3

LEGO STOPS POLICE SET MARKETING; DONATES \$4M

LEGO requested that affiliate partners refrain from posting promotional LEGO content as part of their decision to respect #BlackOutTuesday and pause posting content on their social media channels in response to the tragic events in the U.S.

Affiliates received an email from LEGO that requested removal of product listings and features for more than 30 LEGO building sets, Minifigures and accessories that include representation of police officers, firefighters, criminals, emergency vehicles and buildings, including the adult builder LEGO Creator version of the White House.

LEGO published a message on its social platforms on June 3 saying that it “will donate \$4 million to organizations dedicated to supporting black children and educating all children about racial equality.”

- Toybook, [LEGO Pulls Back Police Playset Affiliate Marketing Amid George Floyd Protests](#), June 2

BRANDS CUT \$50B FROM GLOBAL AD SPEND

Global advertising spend is set to fall by \$49.6B (8.1%) to \$563B this year, led by severe cuts in investment among major product sectors as a result of the COVID-19 outbreak, the latest WARC Global Advertising Trends report finds.

The new projections, detailing the impact of COVID-19 on ad investment at the media, ad format and product category level, are based on data from 96 markets worldwide, and represent an absolute downgrade of \$96.4B compared to WARC's previous global forecast of 7.1% growth made in February 2020.

- WARC, [Brands cut \\$50bn from global ad spend in wake of COVID-19](#), May 28

IPSOS ADVICE FOR REOPENING WITH CONFIDENCE

As the economy and businesses continue to reopen, brands must take steps to build consumer trust by adapting to new health and safety expectations.

With no playbook for success, most companies are struggling to understand which health and safety practices will have the greatest impact on consumer confidence and how these policy changes will improve trust, loyalty and profits.

A [recent paper](#) from IPSOS answers three important questions for businesses:

1. What are consumers' new and evolving attitudes toward health and safety?
2. What specific actions can brands take to make consumers feel safe while shopping or eating at their locations?
3. What can brands do to proactively measure and manage health and safety across their retail network?

- IPSOS, [Reopen with Confidence: Ensuring Consumers Feel Safe in the 6-Foot Economy](#), May 22

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

- Johns Hopkins
- Department of Labor
- Roll Call
- The New York Times
- CNBC
- Kaeser Family Foundation
- American Airlines
- National Association of Home Builders
- The Farnsworth Group
- Nielsen
- Luth Research
- Axios
- TechCrunch
- AdWeek
- Apple
- Toybook
- WARC
- IPSOS

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