

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?

Welcome to Week 14. With all 50 states in some form of reopening, many are questioning whether it happened too quickly. It's clear, too, that economic issues from this pandemic will linger. The economy — not personal health and safety — is now U.S. consumers' top concern. Businesses will have to think carefully about their next moves, though housing is best positioned to lead the recovery.

We continue to follow the news and trends that matter most to our clients, ensuring you have what you need to make important decisions with confidence and successfully navigate an unprecedented public health crisis. This week, our POV on the marketing impacts of the pandemic covers everything from spikes in COVID-19 cases, to surging builder confidence, to stock market highs and lows, to evolving media trends.

We're traveling the road to recovery together, but it's a slow march. Our team is here to help you navigate this challenging situation.

MARKET TRENDS OVERVIEW

Total U.S. COVID-19 cases continue to climb as all 50 states are now in some stage of reopening their retail and service economies. Total unemployment through the week ending June 6 dipped slightly to just over 14%.

The U.S. economy is officially in a recession, marking the end of an expansion that began in June 2009 and lasted 128 months (the longest on record dating back to 1854). Uncertainty over the effects of states reopening and ongoing protests, coupled with businesses and employees getting back to work across many sectors, leaves lots of questions. The **stock market continues to fluctuate but is expected to post solid gains** this week.

Housing appears to be faring the best of any sector of the economy right now, with high demand fueling **increased home sales, surging builder confidence and additional construction jobs.**

U.S. COVID-19 CASES TOP 2.1M

Confirmed cases of COVID-19 in the United States topped 2.1M this week. Total deaths related to COVID-19 in the U.S. topped 117K, with 449K deaths reported globally.

According to the [CDC](#), 25.1M tests have been conducted in the U.S., with 2.6M positive results.

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

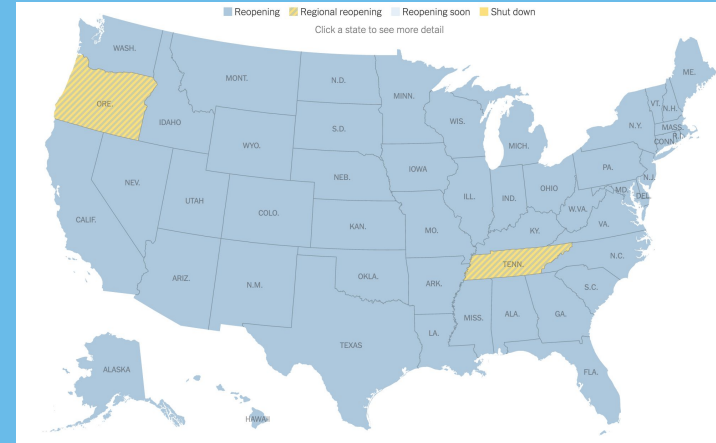


ALL STATES IN SOME STAGE OF REOPENING

All 50 states have begun to reopen, with varied approaches. Social distancing measures remain in place in most areas. However, some states reopened without meeting recommended guidelines. That leniency, coupled with recent widespread protests, may be contributing to the latest spike in cases.

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 17



IS RELAXED SOCIAL DISTANCING FUELING SPIKE?

As states relax restrictions and more Americans pull back on social distancing measures, fears of a second wave of COVID-19 cases are beginning to mount. **More than half of all Americans are extremely or very concerned, up 6% from last week. Almost all (85%) say they will resume social distancing** in the event of a second wave in their state. More than half view gathering with family and friends, dining in at a restaurant, shopping at a retail store or going to a barber or salon as risky.

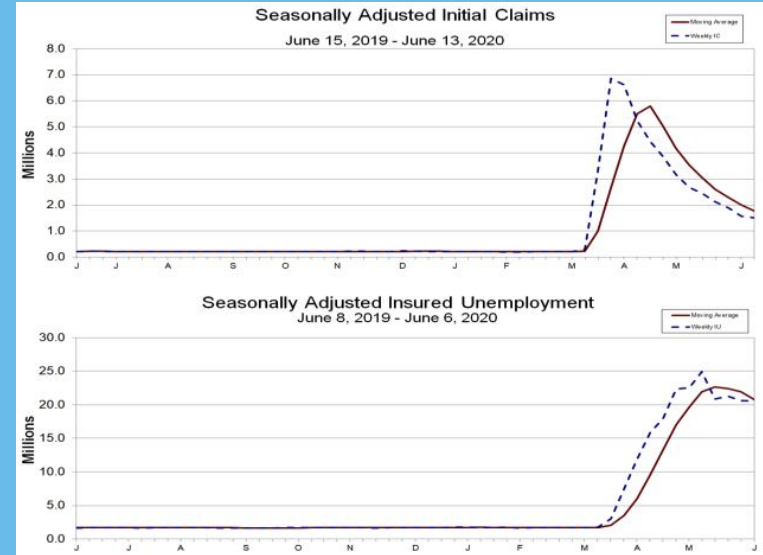
Meanwhile, **89% view attending protests as a risk** to their health or well-being. Half of all Americans are extremely or very concerned that these protests will cause a surge in coronavirus cases. However, protests are not the only large gatherings considered high-risk, as 74% share the same view of Fourth of July celebrations.

- Ipsos, [Concerns about Coronavirus Rebound as More Americans Exit Social Distancing](#), June 16

TOTAL UNEMPLOYMENT DOWN SLIGHTLY TO 14.1%

In the week ending June 13, the latest data available, the advance figure for seasonally adjusted initial jobless claims was 1,508,000, a decrease of 58,000 from the previous week's revised level.

Shedding light on the true number of people out of work, the insured unemployment rate was 14.1% for the week ending June 6, unchanged from the previous week's revised rate. **The advance number for seasonally adjusted insured unemployment was 20,544,000, a decrease of 62,000 from the previous week's revised level.**



STOCK MARKET OSCILLATES

The Dow clawed back early Thursday, **recovering from a 271-point loss** the previous day.

Stocks linked to a successful reopening made gains that erased prior losses. United Airlines rose 0.8%, while Royal Caribbean gained nearly 4%.

Like the Dow, the **S&P 500 snapped a three-day positive streak on Wednesday**. The **tech-heavy Nasdaq Composite closed with a small gain**.

Though the market continues to fluctuate, **major stock averages are expected to post solid gains this week** after a sharp pullback in the week prior.

- CNBC, [Dow Recovers from 271-Point Loss](#), June 18

ECONOMY NOW CONSUMERS' TOP CONCERN

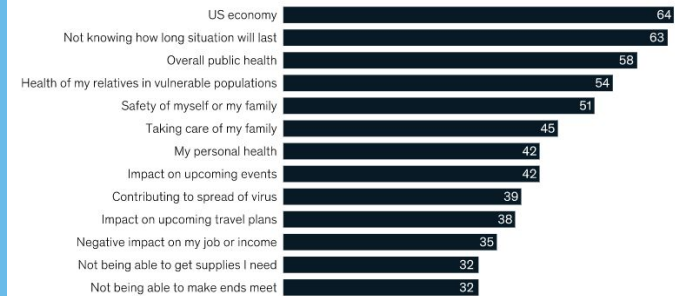
The economy has passed personal health and safety as U.S. consumers' top concern. **Nearly two-thirds of Americans are “very” or “extremely” concerned about the economy’s ability to recover from the pandemic.**

Despite the serious public health situation, the economic fallout has hit more people where it hurts: Since mid-March, **40M people have lost their jobs, and nearly half have cut spending.**

- McKinsey, [Redefining Value and Affordability in Retail’s Next Normal](#), June 15

The economy, uncertainty about the duration of the COVID-19 situation, and public health are the top three concerns for Americans.

Largest concerns of the US population related to COVID-19,¹ % of respondents who are “very concerned” or “extremely concerned”



¹Question: What concerns you most about the COVID-19 situation?
Source: McKinsey COVID-19 US Consumer Pulse Survey, May 18–24, 2020 (n = 1,976), sampled and weighted to match US general population aged ≥18 years

SHOPPING: THE CHANGING OF THE TIDE?

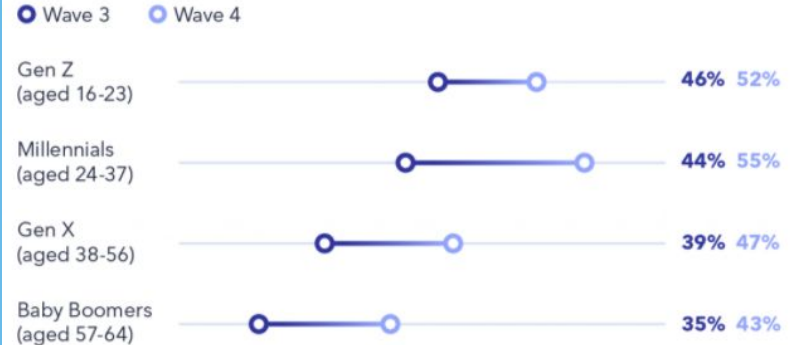
Consumers' desire to shop hasn't disappeared — it's just on pause. In fact, **increased online shopping may be making people even more eager to shop in person.**

In general, **younger audiences are most ready to head back to the stores.**

- GlobalWebIndex, [How has COVID-19 impacted the shopping landscape?](#) June 16

The desire to shop again is growing

% in each age segment who say they intend to return to shops immediately/very quickly/quite quickly after the outbreak



Question: Once the following re-open, how quickly would you start visiting them again? / **Shops Source:** GlobalWebIndex Coronavirus Studies, April 22-27 and May 19-26 **Base:** 921 Gen Z, 4,537 millennials, 7,136 Gen X, 2,680 baby boomers (Wave 3) | 1,185 Gen Z, 5,272 millennials, 7,967 Gen X, 2,725 baby boomers (Wave 4)

CONSUMERS BEGINNING TO FEEL SAFER IN STORES

Despite growing fears about a possible second wave of coronavirus cases, in general, **people feel safer stepping outside now than they did a month earlier**. Across countries surveyed by Deloitte, **nearly half (47%) of respondents said they feel safe going to the store**, up from 35% the previous month.

However, **spending on discretionary items has yet to resume normal levels**, suggesting that people have stockpiled necessities and are holding off on other purchases.

- Deloitte, [Small Positive Signs in the Consumers' Dual-Front Crisis](#), June 4

SHOPPER BEHAVIOR CHANGING

Consumers are making **fewer shopping trips to fewer stores** and allocating **more money toward essentials**.

Meanwhile, three-fourths are more open to **trying new retailers and brands** — enough to potentially **shift loyalty dynamics** within the retail sector.

Nearly 60% of online purchasers are new to e-commerce, and most expect to keep shopping online. **Discounts are the biggest purchase driver in email marketing.**

- MediaPost, [Taking a Cue from the Quarantine](#), June 9

- McKinsey, [Redefining Value and Affordability in Retail's Next Normal](#), June 15



RETAIL SURGES AS STATES RELAX LOCKDOWNS

According to Bloomberg, “After months of being stuck at home because of the coronavirus, Americans began to travel and visit storefronts as states relaxed lockdowns.” Some experts say **increased sales likely came as a result of the government stimulus**, suggesting lawmakers should extend those measures.

Retail and food sales posted record-setting gains of 17.7% in May, helping the Dow skyrocket for three straight days. **But the sector is still making up for April’s 16.4% dive.**

- Wells Fargo Securities, [Weekly Economic & Financial Commentary](#), June 12
- MediaPost, [Shoppers Returned to the Aisles, Curbs and Apps Last Month](#), June 17

... YET RETAIL STILL DOESN'T MATCH PREVIOUS LEVELS

Consumer spending is still nowhere near matching pre-pandemic levels. Consider: Sales were an extremely low ~\$525B on an annual basis before the virus hit, then fell to \$483B in March and \$404B in April (marking the greatest month-over-month loss on record).

Last month's rebound can be partially attributed to the economy and businesses reopening. But incomes also made huge gains in April, overcoming 20M job losses. This development stemmed from the CARES ACT, with economic impact payments and increased unemployment insurance **boosting personal income by 10.5%**.

- Wells Fargo Securities, [Weekly Economic & Financial Commentary](#), June 12

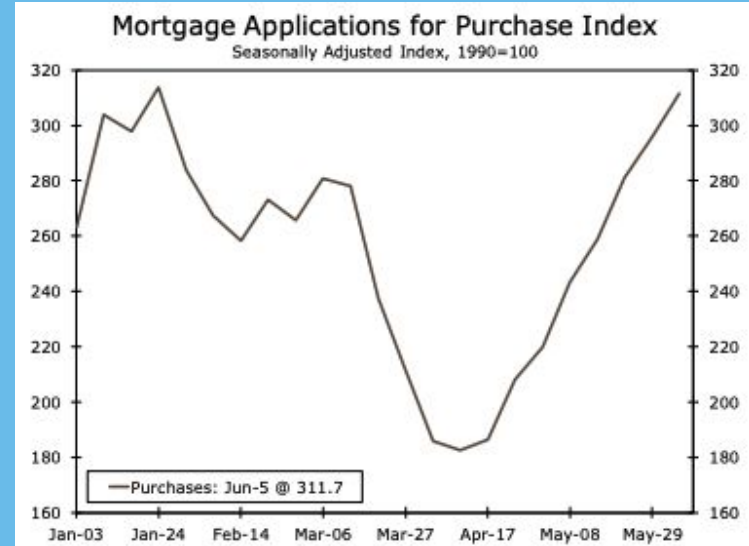
HOUSING LEADING THE ECONOMIC RECOVERY EFFORT

The U.S. economy may be in a recession, but housing is alive and well.

High demand for housing, driven by **record-low mortgage rates** and **pent-up demand among millennials**, is giving home sales a big boost. As a result, **mortgage purchase applications have achieved a “V-shaped” recovery and more.**

New home construction is next in line to benefit.

- Wells Fargo, [Weekly Economic & Financial Commentary](#), June 12



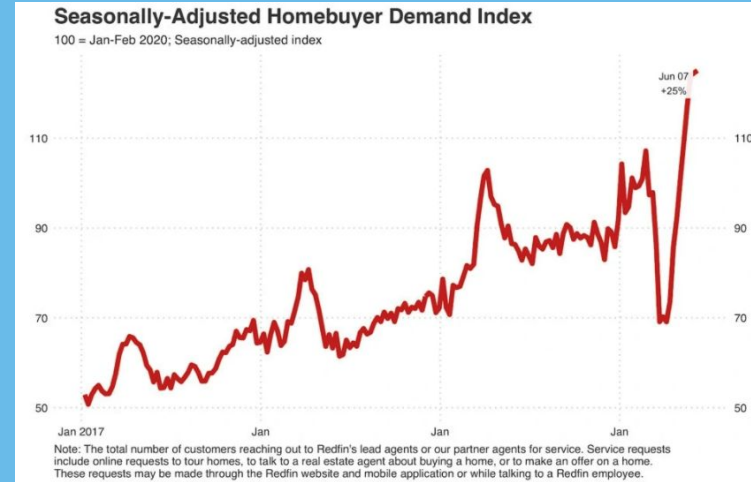
HOMES “FLYING OFF THE SHELVES”

Homebuying has overcome negative effects of the coronavirus, with **demand now 25% above pre-pandemic levels**. Bidding wars are “bananas,” and homes are “flying off the shelves.”

- Redfin, [Homebuying Demand Just Keeps Getting Stronger](#), June 12

In a survey of 5,000 recent buyers, **69% cited COVID-19 as the reason they purchased**.

- John Burns Real Estate Consulting, [The Housing Rally](#), June 12

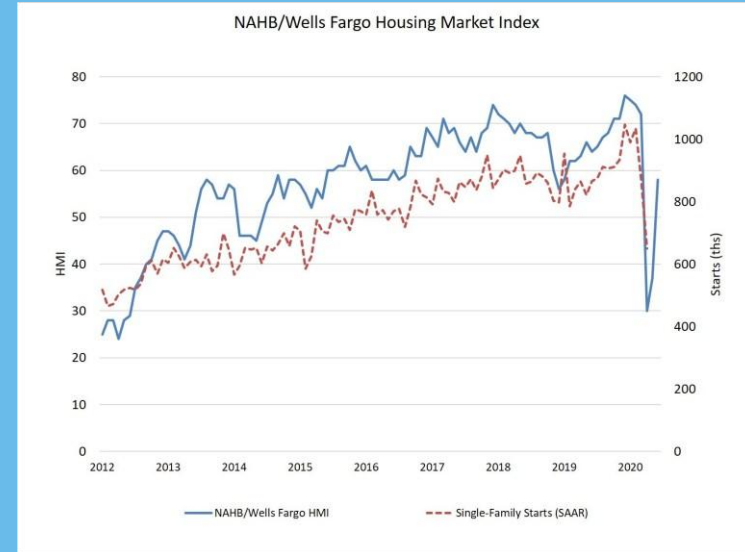


BUILDER CONFIDENCE SURGING

As further proof that housing is in a solid position to lead the economic recovery, builder confidence is surging in June.

Builder confidence in the market for newly built, single-family homes jumped to 58 (from 37) according to the NAHB/Wells Fargo Housing Market Index (HMI). Any reading above 50 is considered positive.

- National Association of Home Builders, [Builder Confidence Surges in June](#), June 16

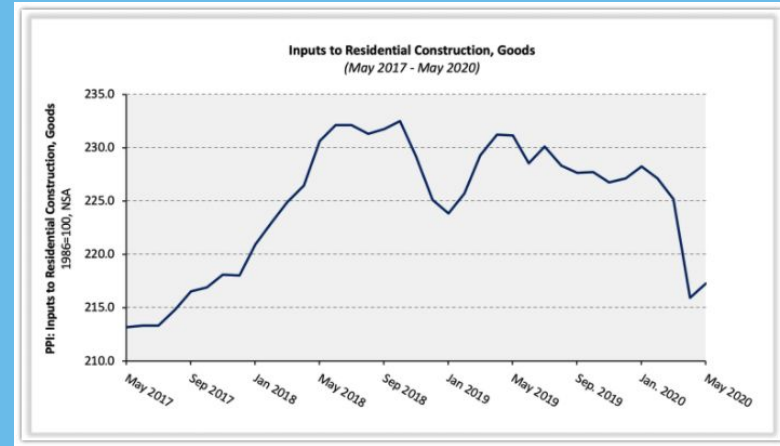


BUILDING MATERIALS PRICES RISE IN MAY, DOWN YTD

Building materials got more costly in May, with **prices paid for residential construction goods rising by 0.6%** (not seasonally adjusted). This marks just the fourth monthly increase in 12 months.

The index has declined nearly 5% YTD, almost quadrupling the prior record (-1.3% in 2009).

- National Association of Home Builders, [Building Materials Prices Move Higher in May](#), June 11



DIY PROJECT GROWTH HOLDS STEADY

The good news for the DIY market continues: According to a Houzz survey, the pandemic is still inspiring home improvement activity, with **outdoor spaces (27%), bathroom renovations (25%) and kitchen remodels (23%)** headlining wish lists. **Nearly four in five (79%) report “that they are dreaming about changes that would help them to enjoy their home more.”**

- Kitchen & Bath Design News, [COVID-19 Seen Inspiring Future Home Improvements](#)

In a recent study by The Farnsworth Group, **72% of respondents started new projects in the week ending June 1. About one-third say they plan to start at least one DIY project within the next few weeks.** Homeowners cited increased availability and time at home as well as a growing desire for health and safety-minded solutions as top drivers.

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

WILL COVID-19 ALTER THE COURSE OF HOME DESIGN?

How will home design change as a result of the pandemic? A June 4 webinar from the National Kitchen & Bath Association (NKBA) explored that topic. Following are just a few examples of products and trends experts say could materialize soon.

- Multiple fixtures in multiple places for multiple needs
- Bidet and toilet in a small, separate room, away from sinks
- Separate sinks for hand washing, teeth brushing, etc., to minimize risk
- Bathrooms as a vestibule or transition zone where people can move from the outside to wash off before entering the home
- Flexible spaces more important, with a focus on hygiene and max storage
- Rethinking open floor plans to support multigenerational living
- Sanitation measures such as copper hardware and touchless faucets and garbage bins
- More kitchen storage to support increased cooking at home

- NKBA, Measuring the Impact: How Will Home Design Change?

MEDIA TRENDS OVERVIEW

Though over-the-top (OTT) is growing rapidly, traditional TV still holds the edge. That edge is expected to continue for the next two years.

Still, national TV ad revenues are expected to shrink by 13% in 2020. Print ad sales will plunge by 26%. Digital ad spending benefited from the lockdown, and e-commerce growth should end the year up 2%. Overall, U.S. ad revenue is projected to decline by 4.3% in 2020.

On the social front, brands are taking action, with more than 950 participating in #blackouttuesday. Many major brands have made large donations to social justice causes, while others have apologized for past insensitive posts.

Trade show and event cancellations continue, with IWF 2020 becoming the latest victim.

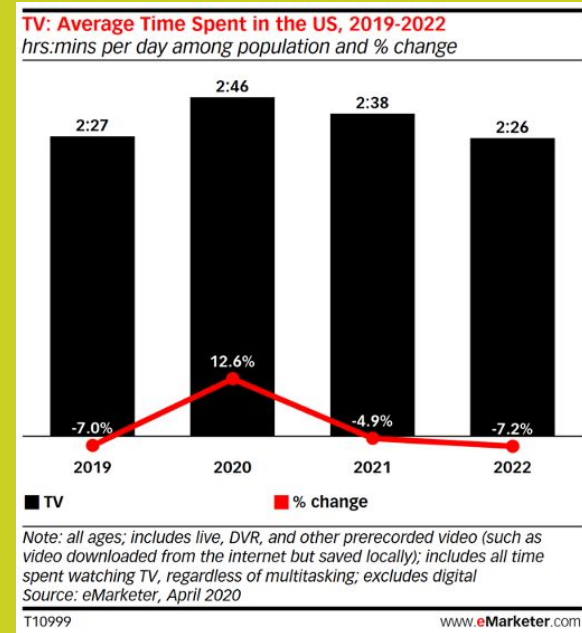
TRADITIONAL TV STILL HAS THE EDGE, FOR NOW

One medium, over-the-top (OTT), is growing at a rapid rate. The other, traditional TV, holds the lead now but will continue to experience YoY declines.

OTT received a temporary bump from shelter-in-place mandates in 2020. However, consumers are still expected to spend more time with TV for the next two years.

- eMarketer, [Time Spent with Subscription OTT Video Content in the US Will Surpass an Hour for the First Time This Year](#), June 11

- eMarketer, [Americans' TV Time Will Grow for First Time Since 2012](#), May 18



U.S. AD SALES OUTLOOK REVISED ... AGAIN

Magna is revising its U.S. 2020 ad sales outlook again. The agency now expects a **4.3% drop in U.S. revenue this year**, fueled by **-13% national TV** ad revenues, **-26% print ad** sales, **-17% radio** ad revenue, **-17.5% out-of-home** and **-36% cinema** ad sales.

Not including video, **digital ad spending** should stabilize this summer and recover in the back half of the year, **ending 2020 at \$130B for +2%** (and helping offset the above drops). This space got a lift from increased digital media usage during the lockdown and e-commerce gains that are expected to outlive social distancing measures.

Digital video is expected to grow 10% and is proving to be one of the most resilient formats along with social media.

- Ad Age, [Magna Further Slashes 2020 Ad Sales Outlook](#), June 15

GOOGLE SAYS “HOME CENTRICITY” ADS HERE TO STAY

Google’s vice president of global ads and marketing, Marie Gulin-Merle, said **some trends energized by home-centric living were already taking root** before the onset of the pandemic.

“We were already observing what we’ve described as ‘home centrality.’ People are looking for flexibility and a better quality of life — often that means eliminating a long commute. And with more people spending more time at home, shopping patterns had already started shifting.”

- Adweek, [Google Expects Quarantine Consumer Trends to Outlast Stay-at-Home Measures](#), June 12

BRAND TRENDS OVERVIEW

This week, the campaign against hate and intolerance continued, with Procter & Gamble and iHeartMedia launching a “Can’t Cancel Pride” virtual benefit. The companies cited significant obstacles faced by the LGBTQ+ community and made worse by the pandemic.

Half of U.S. adults report they want to hear from brands at least as often now as usual. Most are not suffering from COVID-19 fatigue: Pandemic messaging left 84% with an improved or unchanged opinion of the brand. Meanwhile, consumers are holding brands to higher standards not just for their values, but also their products and customer service: Compared to 2017, dissatisfied customers are telling twice as many people about their experience.

Smart brands including Dunkin’ (national campaign to recruit 25K workers) are leveraging the current landscape to support their business, customers and the greater good.

CONSUMERS TO BRANDS: BE RELEVANT

Consumers want to hear from brands: Across nearly all industries, **about half of U.S. adults report they want to hear from brands at least as often now as usual.** Contrary to popular belief, most are not suffering from COVID-19 fatigue, as **pandemic-related messaging left an amazing 84% with an improved or unchanged opinion of the brand.**

It's how you say you care that matters: Chances are, **your customers want relevant messaging related to safety precautions rather than generic, “we’re here for you” language.**

- MediaPost, [Taking a Cue from the Quarantine: Consumers are Engaging and Shopping More, Study Shows](#), June 9

BRANDS HELD TO A HIGHER STANDARD

Compared to 2017, **dissatisfied customers are now telling twice as many people about it**, sharing their experience with an average of seven others.

COVID-19 created its own set of issues around customer satisfaction: **Almost 60 million people lost money when the pandemic canceled their trips, concerts and other plans.**

Meanwhile, **Amazon customers have submitted more complaints related to shipping problems with the site's third-party sellers than ever before.**

- Bizwomen, [No Refunds: Americans Struggle to Get Money Back After Canceled Events](#), April 21

- The Wall Street Journal, [Frustrated Amazon Shoppers Vent at Record Levels](#), May 21

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
- The New York Times
- The Wall Street Journal
- CNBC
- National Association of Home Builders
- National Kitchen & Bath Association
- John Burns Real Estate Consulting
- The Farnsworth Group
- eMarketer
- Adweek
- Ad Age
- MediaPost
- Ipsos
- Deloitte
- McKinsey
- GlobalWebIndex
- Bizwomen
- Wells Fargo

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