

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 recent events and the **impact of the COVID-19 pandemic.**

WHY IS THIS IMPORTANT?

The immediate **future remains uncertain**. With most of the country in some form of shelter-in-place, total confirmed COVID-19 cases in the U.S. rising over 85 thousand on Thursday and new unemployment claims topping 3 million, the effects of the Coronavirus pandemic are being felt far and wide.

We continue to see signs of e-commerce sales growth both overall and in the home category, with both **Lowe's and Home Depot reporting strong sales**. The media landscape remains strong, with viewership and engagement continuing to rise and some new trends emerging. We have clients experiencing their “best-days-ever” of on-site traffic and steady or rising sales this past week, while other clients grapple with incredibly challenging business decisions.

And as Magna Global reminded us this week, “**Marketers willing to hold or increase share of voice during a crisis, while competitors withdraw, can win significant market share for a relatively low investment.**”

MARKET TRENDS

The news this week was tough to watch. And experts say next week may be worse. With unemployment claims rising to nearly 3.3 million, NAHB forecasting overall declines in 2020, and the K&B industry bracing for the full impact, there are still a few positive indicators.

Much of the **construction and building industry has been deemed essential** including hardware stores in most states. And, despite extensive lockdowns and restrictions, the **U.S. construction business continues to remain active.**

However, we are beginning to see some evidence of change in recent days, especially in the hardest-hit areas. We're also seeing the **continuing rise of e-commerce in the home sector** and we're seeing **some positive indicators in DIY.**

U.S. CONSTRUCTION

While most of the country has deemed construction an essential business, **New York Gov. Andrew Cuomo has now ruled that construction is not essential**, effectively shutting down most building work in the state as well as in New York City. And despite efforts to develop procedures that would protect construction workers so they could continue working, the **Washington State Department of Transportation is suspending most state construction work** for at least the next 2 weeks.

Retail giant Target is delaying some store remodel projects and new construction in order to focus on the unusually high demand for same-day services.

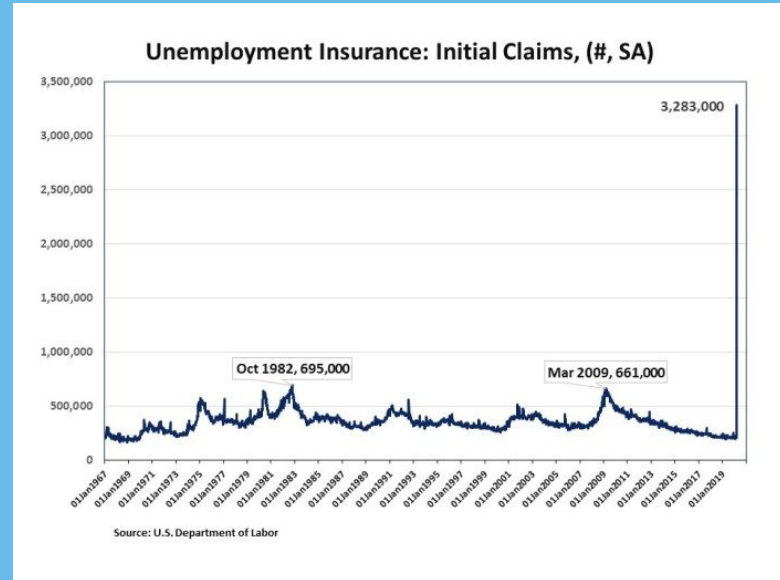
Resources:

- **NAHB [map](#)** of states and localities that deem construction an essential business
- **Dodge Data [map](#)** and **[list](#)** of active public bidding opportunities by state

RECORD UNEMPLOYMENT BENEFIT CLAIMS

Nearly 3.3 million people applied for unemployment benefits last week. This is the highest number of claims ever recorded. Several states attributed the increase in claims to layoffs in the service industry as a result of COVID-19.

- U.S. Department of Labor



NAHB FORECASTS Q4 REBOUND

“While we are forecasting declines for housing construction on net in 2020, housing was on solid footing coming into the year. With low interest rates and policy help for the labor market, **housing clearly would be a sector to lead the economy into recovery** after the declines of mid-2020.”

- National Association of Home Builders, March 23, 2020

LOWE'S AND HOME DEPOT SEEING INCREASED DEMAND

“Americans who are stuck in their homes during the coronavirus pandemic aren’t just video-conferencing and binge-watching TV. Lowe’s CEO Marvin Ellison said they’re also replacing appliances and doing DIY projects.

In an interview with CNBC on Wednesday, Ellison said **the home improvement retailer has seen an increase across nearly every store category** as customers not only stock up on cleaning supplies, but fix up and maintain their homes.”

- CNBC

K&B INDUSTRY BRACES FOR FULL IMPACT

“While the **COVID-19 pandemic will doubtless have a major short-term impact on housing and remodeling**, as well as on the global economy, **the long-term impact is nearly impossible to gauge** given the unprecedented fluidity and nature of the crisis. Stock market volatility, shaken consumer confidence, diminished home equity, real or threatened job layoffs and dwindling personal reserves are likely to put at least a temporary crimp on new construction, residential remodeling and new- and existing-home sales. **Already, a growing number of kitchen and bath remodeling prospects, frightened and confused by the crisis, are reported to be temporarily postponing buying decisions while waiting for the emergency to pass.** Others, with projects already in the pipeline, are witnessing disruptions in product deliveries and contractors’ services.”

- Kitchen & Bath Design News

CONTRACTORS STARTING TO DELAY WORK

The coronavirus pandemic has caused more than one out of four contractors to halt or delay work on current projects, according to an Associated General Contractors of America survey released Friday.

- 18% have experienced project delays due to lack of government employees to issue permits, conduct inspections, etc.
- 16% have experienced projects delays due to shortages of materials, equipment or parts
- 22% have received supplier notification of late or canceled deliveries

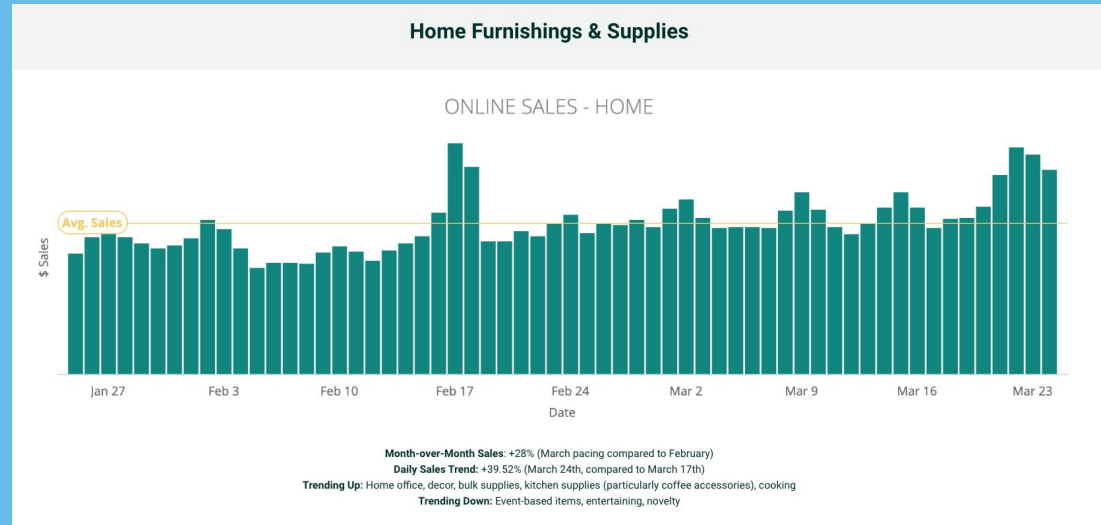
WILL CONSUMER SHOPPING BEHAVIOR CHANGE?

“If foot traffic to brick-and-mortar retailers remains nonexistent for more than four to six weeks, retailers will have a hard time remaining financially viable, and consumer shopping preferences may well have changed enough that there is a ‘new norm’ by which more consumers do more shopping online going forward.”

- eMarketer

ONLINE SALES INCREASING FOR HOME FURNISHINGS

Online retail is up across most categories including home furnishing and supplies, according to Attentive, a personalized mobile messaging platform that works with over 1,000 leading brands including many of the top online retailers in the world.



WHAT ARE DESIGNERS DOING?

Designers are accustomed to working remotely and are continuing to do so. Many are taking the time to update their tools and inventory. **If designers are a key audience for you, use this time to make sure they have your newest imagery, digital assets and design and trend intelligence.**

- Kitchen and Bath Business

MEDIA TRENDS

We're continuing to see a **rise in media usage through every channel** you can consume in your home. While Covid-19 remains the lead topic of interest, there continues to be **heightened interest around organizing your home, DIY, keeping calm, feeling better, cooking and perfecting your home office.**

Consumers remain receptive to advertising, but as the effects of the pandemic rise in the US, about 75% of consumers expect to see brands showing their commitment to being helpful in managing life during the pandemic.

BRANDS SHOULD “SHOW UP, NOT SHOW OFF”

Per a Kantar global consumer study that surveyed more than 25,000 consumers across 30 markets:

- Only **8% of consumers feel that brands should stop advertising**
- 77% of respondents expect their brands to be helpful in what has become “the new everyday life”
- 75% of respondents feel that brands should be informing the public about their efforts to combat the situation
- 75% of respondents said it’s wrong to exploit the crisis to promote a brand
- **70% said brands should adopt a more reassuring tone**

MEDIA USAGE CONTINUES TO SURGE

Consumers report increased media consumption:

- **Web browsing +70%**
- TV viewing +63%
- Social media engagement +61%

Linear TV is seeing viewership gains across dayparts:

- ABC delivered +80% median TV ad impressions week-over-week in the early morning daypart.
- Fox News delivered +20% median ad impressions week-over-week in its overnight daypart.
- CNN's early fringe median ad impressions were +25% week-over-week.
- **HGTV's median ad impressions were +19% week-over-week in early fringe.**
- Food Network's median ad impressions were +21% week-over-week during the daytime.
- Telemundo's early morning median daypart ad impressions are +18%.

TOP 5 YOUTUBE TRENDS

Think with Google Insights shared the **top five types of YouTube content** that audiences have gravitated towards recently:

- Work-from-home essentials
- “Study with me”
- Pantry meals
- Stress reduction
- In-home fitness

PUBLISHERS STILL SEEING TRAFFIC INCREASES

Meredith is seeing content consumption increases across the board.

HEALTH (+31%) and SHAPE (+19%) are seeing YoY increases in March traffic as consumers try to stay well and calm. **Travel & Leisure is surging in visits (+4M) and views (+1.2M) to virtual tours and online exhibits from the world's most famous museums as people seek out “escapism” content.**

Across Meredith, the three most-searched terms for the first two full weeks of March include “immune” (+1,319%), “binge” (+718%) and “at home” (+307%), signaling the type of content that consumers are craving now.

INFLUENCERS ARE EXPERIMENTING WITH TIKTOK

Celebrities and influencers that typically post on Instagram are starting to experiment more with TikTok. Influencers are using their down time to learn the platform and also to keep their audiences engaged. This is causing **a slow migration of more millennials and Gen Xers to TikTok**, joining Gen Zs who have already been consistently using the platform. TikTok (owned by a Chinese corporation) is doing extensive PR efforts to separate themselves from ByteDance.

PINNERS LOOKING FOR IDEAS FOR THE NEW NORMAL

Pinterest “home” search trends are spiking vs. January:


- Guest room to home office
- Home office design
- Closet organization
- Closet design
- Laundry room hacks
- Mudroom design
- Budget home office
- Work from home

Working from home ideas

170%
increase in **'working from home'** searches in the last two weeks vs. the two weeks prior.

work from home office

Searches for **'work from home office'** are up more than 150% in the last two weeks vs. the two weeks prior.



Working from home for the first time

Content thought-starter
Provide a unique perspective on working from home. Maybe your brand can focus on well-being or comfort. Maybe you have a take on small spaces. Or, how could you help people focus in shared home offices?

Feeling better ideas

73%
increase in **'self-care checklist'** searches in the last two weeks vs. the two weeks prior.

calming quotes

Searches for **'calming quotes'** and **'fear quotes'** have both more than doubled in the last two weeks vs. the two weeks prior.

116%
increase in searches for **'daily schedule'** in the last two weeks vs. two weeks prior.



Content thought-starter
Set an example. When it comes to "daily schedules" or "self-care checklists," Pinners are looking for real lists or examples to guide them. Make it easy. Show them how to do it right on Pinterest.

Calming quotes

BRAND TRENDS

We're starting to see **brands lean in to this pandemic in different ways**. From re-aligning messaging to be sensitive or directly addressing the pandemic, to offering financial support for front-line healthcare workers and their own employees, to re-thinking their production capabilities to support the fight against the invisible enemy, brands are stepping up in different ways to serve their customers and their communities. Many of our clients are **re-thinking how they communicate with their customers**, enhancing LinkedIn strategies, scheduling virtual showroom tours, product training and webinars and utilizing even more digital communication and e-commerce tactics to support their businesses.

BRANDS ARE GIVING BACK

Lowe's Home Improvement donates \$25 million to support the emerging needs of their associates, customers and communities. This includes a \$10 million donation in essential protective products to keep medical professionals on the front lines of this crisis healthy and safe.

Ab inBev donated the \$5 million they would have spent on sports and entertainment advertising to relief funds.

Tito's Vodka commits to making an initial batch of 24 tons of hand sanitizer that adheres to industry and governmental guidance over the next several weeks.

SHOULD BRANDS CUT TV ADVERTISING?

“Following 9/11, many brands cut their TV spend for weeks. **But the brands that grew their national TV spending outperformed in business outcome over the next few months**, as showed by their stock performance. In 2002, the S&P 500 was down by -22%; but some of the heavy TV ad spenders of 4Q 2001 saw massive stock growth, including Mattel (+12%), Nissan (+56%) and Bank of America (+14%).”

- Magna Global

“A 6-month absence from TV will result in a 39% reduction in total brand communication awareness.”

- Kantar Covid-19 Global Barometer Study

THIS WON'T LAST FOREVER

Apple has already re-opened all 42 of its stores in China.

- Resonate

“Whether or not consumers are in the right mindset to buy your products during a crisis, whether or not your product is even available in shops during that crisis, consumers like a brand that shares their will to resume normal life and normal business as soon as possible. Contrarian marketers willing to hold or increase share of voice during a crisis, while competitors withdraw, can win significant market share for a relatively low investment, as media costs typically slow down when demand dwindles.”

- Magna Global

WHAT'S NEXT?

Wray Ward is dedicated to helping you navigate the business and marketing impacts from this global 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 continue to provide updates on audience behavior and media trends as this crisis unfolds.

EXTERNAL SOURCES CONSULTED

- U.S. Department of Labor
- National Association of Home Builders
- CNBC
- Kitchen & Bath Design News
- Associated General Contractors of America
- McKinsey
- eMarketer
- Attentive
- Kitchen and Bath Business
- ConstructionDive.com
- Kantar
- Google
- Meredith
- Pinterest
- AdWeek
- Resonate
- Magna Global
- Resonate

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