

POV: Marketing Impacts Due to COVID-19

Issue #5 | April 16, 2020

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?

Most of the country is in the middle of week five of sheltering-in-place. IHME projections seem to be improving every few days in terms of hospital capacity, incidences and deaths. **This positive news is pushing national, state and local governments to consider allowing retail and industry to return to work in select regions.** When and how this will be done remains to be seen, and there continues to be great debate around the May 1 date mentioned by government officials.

The longer shelter-at-home regulations remain in place, **the more consumers are diving into home DIY projects, while seeking escapism entertainment.**

For marketers, the challenges remain varied and in near-constant flux. We continue to work with our partners to find creative solutions for producing campaigns, engaging with influencers, communicating with customers through social and owned channels, and executing media campaigns that are delivering results.

MARKET TRENDS OVERVIEW

This week, we're seeing indications that in-process build, remodel and construction jobs are finishing. However, **due to project delays, new jobs aren't refilling the funnel for architectural, design and construction firms.** Anecdotally, a few interior designers have told us their clients are starting to become more eager to jump into planning on projects that they put on hold when the COVID-19-related shutdowns hit the United States in early to mid-March.

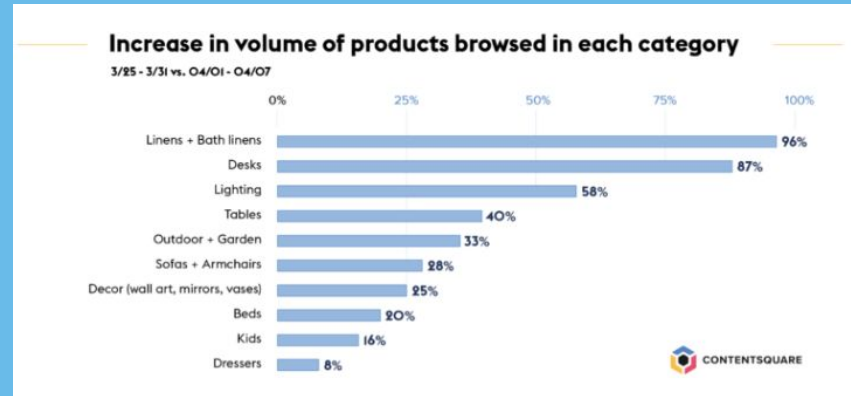
DIY indicators are up across both online research volume and reported project starts. Online sales of home office furnishings are slowing, while other home furnishings categories are up.

Real estate professionals are trying to find workarounds to not being deemed essential, while the **vacation rental market is experiencing a “cancellation apocalypse.”**

HOME PRODUCT RESEARCH CONTINUES TO RISE

The **interest from American consumers in products for DIY home renovations and the sales of these products have increased** by 96% on bath and linen products, 87% on desks, 58% on lighting materials, 40% on tables, 33% on outdoor and garden materials, 28% on sofas and armchairs, 25% on decor, 20% on beds, 16% on kids' room decor, and 8% on dressers.

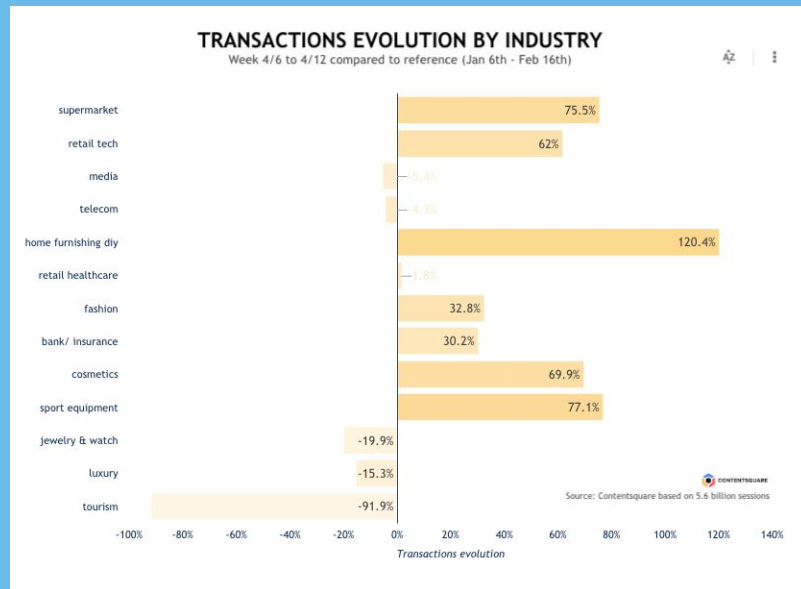
- Content Square, [Sheltering In Leads To Home Improvement](#), April 10



120% INCREASE IN FURNISHINGS/DIY TRANSACTIONS

There has been a **22.5% increase in the number of page views in home furnishings/DIY category in April 2020** and a **120.4% increase in category-specific transactions**, according to a report on COVID-19's impact in the e-commerce industry presented by ContentSquare.

- Content Square, [The COVID-19 eCommerce Impact Data Hub](#), April 12

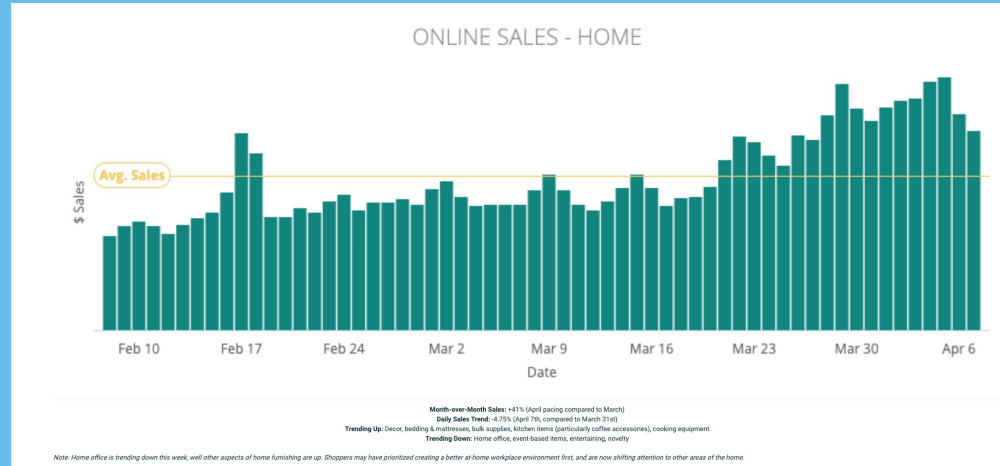


HOME OFFICE TRENDING DOWN; HOME FURNISHINGS UP

“Home office is trending down this week, while other aspects of home furnishings are up.

Shoppers may have prioritized creating a better at-home workplace environment first, and are now shifting attention to other areas of the home.”

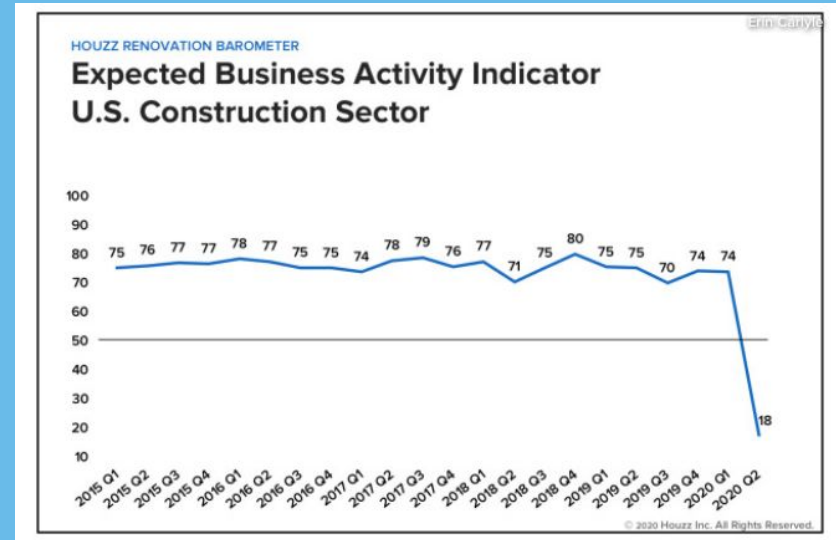
- Attentive, data as of April 7, 2020



HOUZZ RENOVATION BAROMETER DROPS SHARPLY

“More than 4 in 5 small businesses in the architectural and design services sector and construction sector (84% in each sector) reported that they had been affected by the coronavirus pandemic, according to the Q2 Houzz Renovation Barometer. **One of the most common effects cited was project delay, which has hit 75% of the architectural and design sector firms and 78% of construction sector firms.**”

- Houzz, [Remodeling and Design Firms Show Drop in Optimism Amid COVID-19](#), April 14

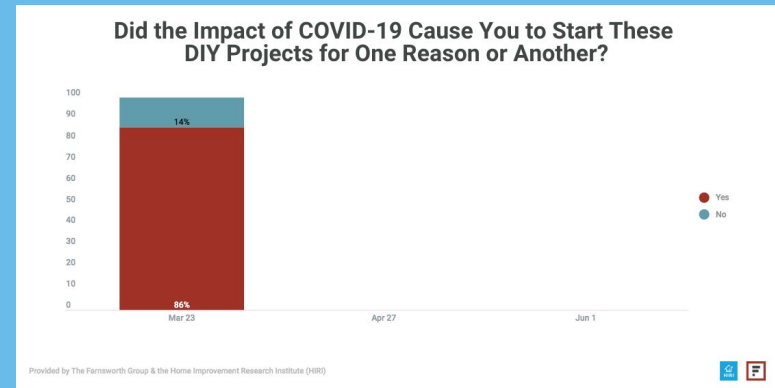


63% STARTED NEW DIY PROJECT IN PAST TWO WEEKS

The Farnsworth Group and HIRI partnered to field a weekly survey to 1,000 DIYers and hundreds of contractors to get a pulse on project behaviors and implications caused by COVID-19.

In the past two weeks, 63% of the DIY'rs surveyed started a new home improvement DIY project related to remodeling, repair, replacement or maintenance.

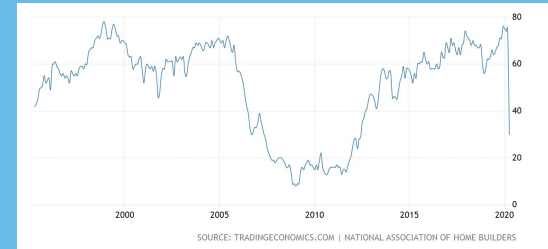
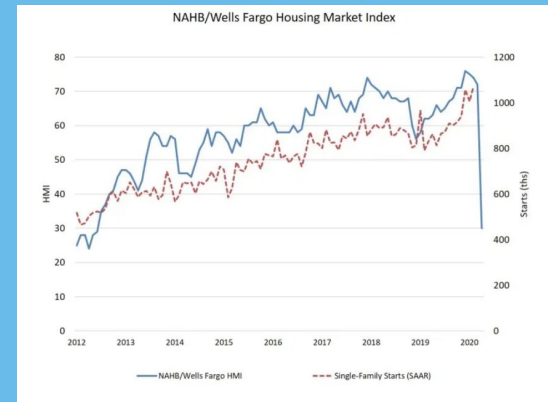
- Farnsworth Group, [Weekly Covid Impact Tracker](#)



BUILDER CONFIDENCE POSTS HISTORIC DECLINE

“Reflecting the growing effects of the COVID-19 pandemic, **builder confidence in the market for newly-built single-family homes plunged 42 points** in April to 30, according to the latest National Association of Home Builders/Wells Fargo Housing Market Index (HMI). The decline in April was the largest single monthly change in the history of the index and marks the lowest builder confidence reading since June 2012. It is also **the first time that builder confidence has been below the key breakeven reading of 50 since June 2014.**”

- NAHB, [Builder Confidence Posts Historic Decline](#), April 15



SOURCE: TRADINGECONOMICS.COM | NATIONAL ASSOCIATION OF HOME BUILDERS

SHORT-TERM RENTALS' "CANCELLATION APOCALYPSE"

Year-over-year short-term rental reservations for 2020 summer travel are now down by 75%. Hosts, many of whom rely on their short-term rentals for critical supplemental income or, in many cases, all of it, now credit COVID-19 for the "Cancellation Apocalypse."

- Forbes, [What Will America's Housing Market Look Like After The Coronavirus Pandemic Ends?](#) April 12

MEDIA TRENDS OVERVIEW

In the midst of increased media consumption and increased ad inventory across platforms, **brands continue to report a sharp decrease in digital advertising spending in the first half of 2020. These trends lead to value and opportunity for advertisers who have the capability to spend and e-commerce functions that are operational.**

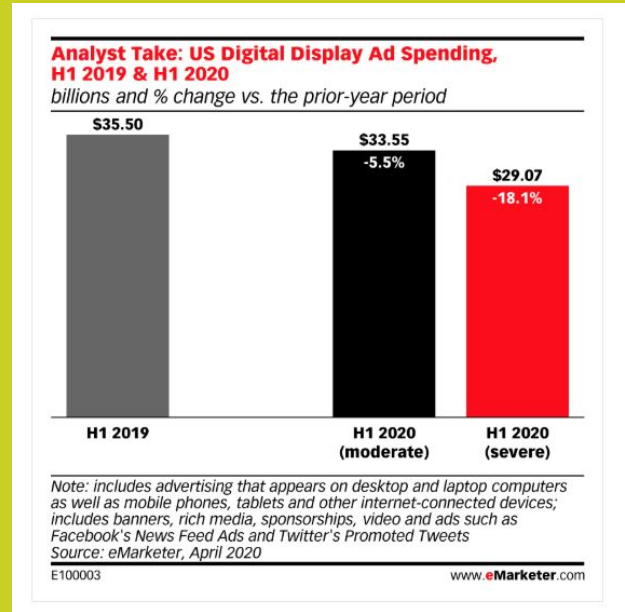
Search volume trends in most categories are up the past two weeks, seeing some minimal but meaningful gains in categories that have shown losses since early March. **Home improvement (+24%) and home and garden (+31%) continue to rise.**

Another bright spot for Chip and Joanna Gaines fans: **Discovery is planning a Magnolia Network preview on April 26.**

DIGITAL DISPLAY SPEND TO FALL \$8-\$13B IN H1 2020

“US spending on digital display advertising will decline by between 5.5% and 18.1% in H1 2020. That’s about \$8 billion to \$13 billion less than we expected. Our previous forecast of US digital ad spending, completed on March 6, 2020, called for a 19.2% increase in digital display ad spending for the full year.”

- eMarketer, [Analyst Take: How the Coronavirus Will Change Our US Digital Display Ad Spending Forecast](#), April 14, 2020



PLANNED AD CUTS LESS SEVERE IN MAY, JUNE

Respondents said they were decreasing their display spending for the March-April time period by 41% compared with what they had originally planned, according to an IAB survey. Respondents also expected cuts to their plans for May and June, though they wouldn't be as deep.

- eMarketer, [Analyst Take: How the Coronavirus Will Change Our US Digital Display Ad Spending Forecast](#), April 14, 2020

How Do US Agency and Brand Buy-Side Decision-Makers Think the Coronavirus Will Change Total Media Ad Spending in March-April 2020 vs. May-June 2020?

% change, by media

	March-April 2020	May-June 2020
Digital		
Display	-41%	-28%
Out-of-home	-45%	-38%
Audio	-40%	-31%
Video	-37%	-26%
Social media	-33%	-23%
Paid search	-30%	-21%
Traditional		
Out-of-home	-51%	-41%
Radio	-45%	-35%
Print	-43%	-34%
Linear TV	-41%	-35%
Direct mail	-34%	-29%

Note: n=272 respondents who plan on making short-term (March-June) ad spending changes due to the coronavirus; read as digital display spending is estimated to be -41% from the advertiser's original budget in March-April compared to -28% in May-June

Source: Interactive Advertising Bureau (IAB), "Coronavirus Ad Spend Impact: Buy-Side," March 26, 2020

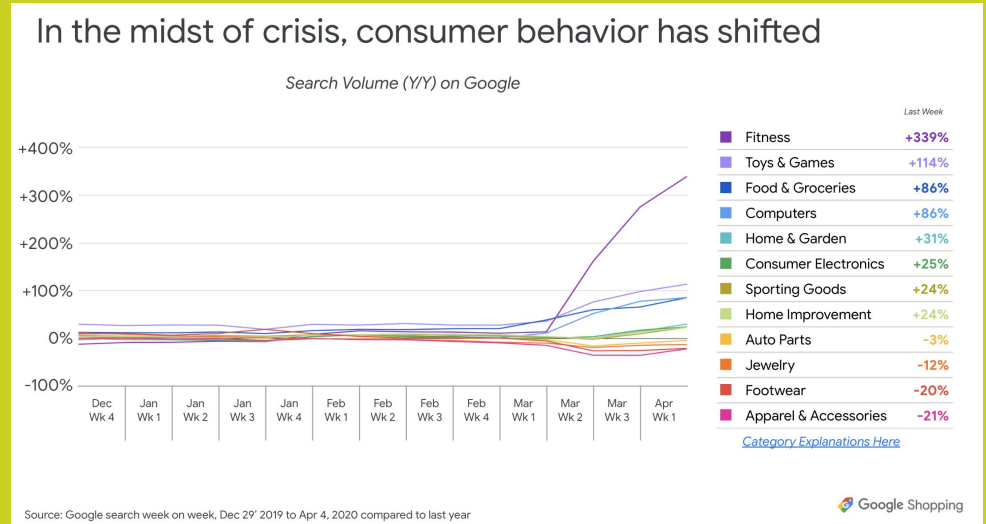
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www.eMarketer.com

SEARCH VOLUME TRENDS IN THE MIDST OF THE CRISIS

According to Google, **search volume for all categories is on the rise in early April**. Even hard-hit categories like Apparel & Accessories are starting to climb back to their normal search volume trends. While Fitness leads the way (+339%), **Home & Garden is up 31%**, and **Home Improvement is up 24% from baseline search volumes**.

- Google, April 4, 2020



MAGNOLIA PLANS 5 HOUR TAKEOVER OF DIY ON APRIL 26

Our reps at Discovery gave us a scoop this week:

The new Magnolia Network is planning a five-hour takeover of the DIY Network on Sunday, April 26, 5-10 p.m.

M A G N O L I A

The anticipated show line-up* includes:

- 3 hours of Fixer Upper, hosted by Chip and Joanna
- 1-hour Magnolia Network Preview Show, including clips of new Magnolia shows
- 1-hour special about Chip Gaines running a marathon

*Details subject to change.

EDITORIAL TRENDS AND MEDIA PITCHING

Editorial themes in trade publications vary by industry and are constantly evolving. Many trade publications are sticking with long-term editorial plans instead of pivoting to publish breaking news in print. In the commercial architecture and design space, editors are adapting to meet audience interests (think: wellness in the workplace).

In digital, the trades are focused on pandemic business impacts and shifts in product manufacturing and distribution to help communities, along with some industry and product updates. The mainstream media is overwhelmingly focusing on the pandemic and offering readers some distraction with good, light-hearted stories.

Tone is extremely important when pitching publications, particularly when sharing any business-as-usual product announcements or news. But don't allow your story to get lost. Some stories may be a better fit when the new world emerges.

BRAND TRENDS OVERVIEW

As **e-commerce trends continue to show growth**, many brands are struggling to quickly pivot their online sales strategies due to misalignment across the enterprise, competing priorities and lack of infrastructure. Reports this week showed that **only 11% of organizations have functional-level e-commerce goals in place.**

For brands with e-commerce and supply chain capabilities, advertising through this pandemic has proven to drive sales. **Brands that continued their media spend on digital channels and TV saw online sales increase by an average of 81 percent from March 16 to March 29.**

ORGANIZATIONS STILL BEHIND IN E-COMMERCE

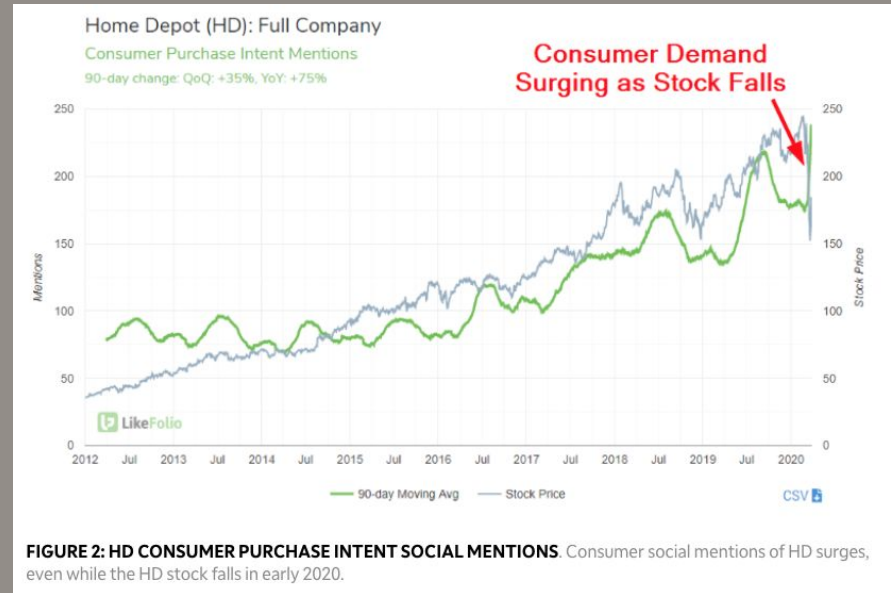
Profitero and Kantar found that **only 11% of organizations have functional-level e-commerce goals in place and 40% still lack even the most basic e-commerce goals** at the company level. If you don't have clear goals, set them before doing anything further.

- Forbes.com, [How Brands Can Address The Hyperdrive Impact Of COVID-19 On E-Commerce](#), April 6, 2020

THD AND LOWE'S SEE INCREASE DEMAND FOR DIY

“The Home Depot and Lowe's have seen **an increase in the demand for materials used for DIY products** in the past month even with a decrease in their market stock.”

- TD Ameritrade, [How COVID-19 Is Sparking DIY Home Renovation](#), April 2



ADVERTISING STILL WORKS

“Measured, an analytics company, studied marketing and sales data for a host of fashion retailers, including both native ecommerce brands and brands with brick-and-mortar shops. It found that **brands that ran aggressive promotions and either bumped up or didn’t decrease their media spend on digital channels and TV saw online sales increase by an average of 81 percent from March 16 to March 29 compared with the month-earlier period.** Also, online sales jumped 70 percent on average compared with the year-earlier period.”

- AdAge, [Fashion Retail Advertising Still Works, Even If Stores are Closed, According to a New Study](#), April 10

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

- Institute for Health Metrics and Evaluation (IHME)
- Content Square
- Attentive
- Houzz
- Farnsworth Group
- Google Trends
- National Association of Home Builders
- Forbes
- eMarketer
- Google
- Discovery Networks
- TD Ameritrade
- AdAge

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