

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 headlines this week are dominated by stories of contrast. Citizens who are ready to get back to work and those who think society should continue to shelter in place. Regions with minimal health impact and areas facing severe challenges. Governors announcing openings and governors announcing shelter-at-home extensions.

We're continuing to see **consumer increases in DIY and home project interest, while at the same time new construction and remodeling activity reflects a massive slowdown** in business and consumer spend due to the pandemic.

As companies consider how they will return to business as near-normal in the near-future, there are opportunities for brands across the media landscape to capture mindshare and inspire future projects. We're seeing audiences tire of doom and gloom messaging, instead seeking out entertainment, comedy and home projects as an escape from their stuck-at-home reality.

MARKET TRENDS OVERVIEW

March market reports started rolling out in the last week, with drops in remodeling and construction. **New home sales in March were down from February but up slightly year-over-year.** U.S. home inventory at the end of March is at its lowest since 1999.

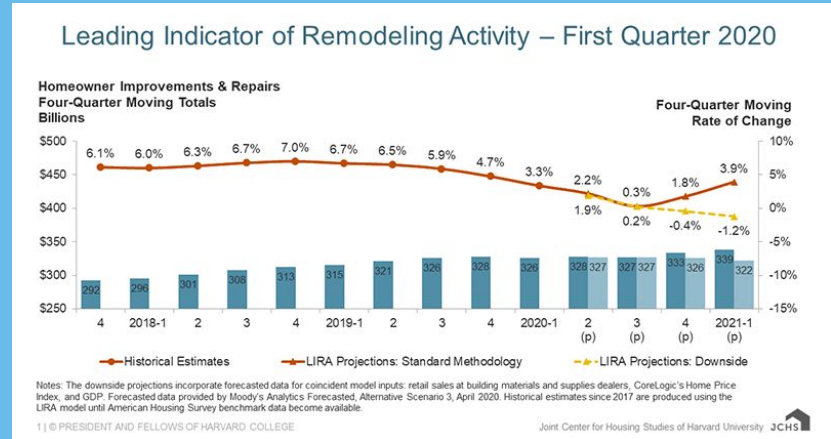
We continue to see a rise in consumer interest in home decorating and remodeling projects, both through national data and client programs. Some of this interest is likely seasonal, but we believe the greater impact is due to people spending more time in their homes.

However, **these online interest indicators aren't currently turning into engagements with contractors or retail home furnishings sales,** which may be a leading indicator of pent-up demand once we're on the other side of shelter-in-place mandates.

ABRUPT ABOUT-FACE FOR REMODELING

According to a JCHS Leading Indicator of Remodeling Activity (LIRA) release, there has been an abrupt about-face for remodeling. **Pre-pandemic, the LIRA pointed to a healthy rebound in home remodeling spending, with annual growth of 3.9 percent by the first quarter of 2021. But current data incorporating both actual and forecasted impacts of the economic shutdown points to spending declines this year, with further worsening into 2021.**

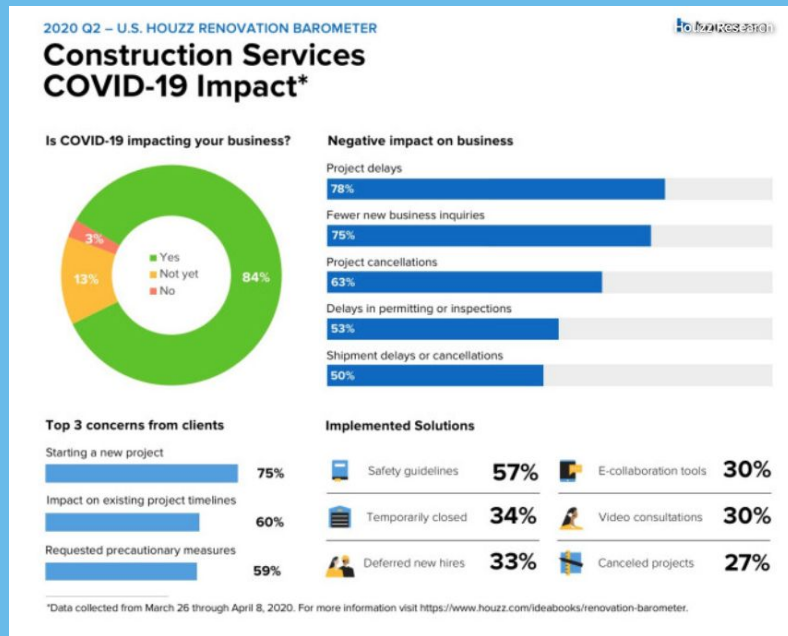
JCHS, [LIRA Release](#), April 20



HOUZZ RENOVATION BAROMETER DROPS SHARPLY

“According to the 2020 Q2 - U.S. Houzz Renovation Barometer report, **84% of build-only remodelers and design and build remodelers surveyed said COVID-19 is impacting their business** - mostly through project delays and fewer business inquiries.”

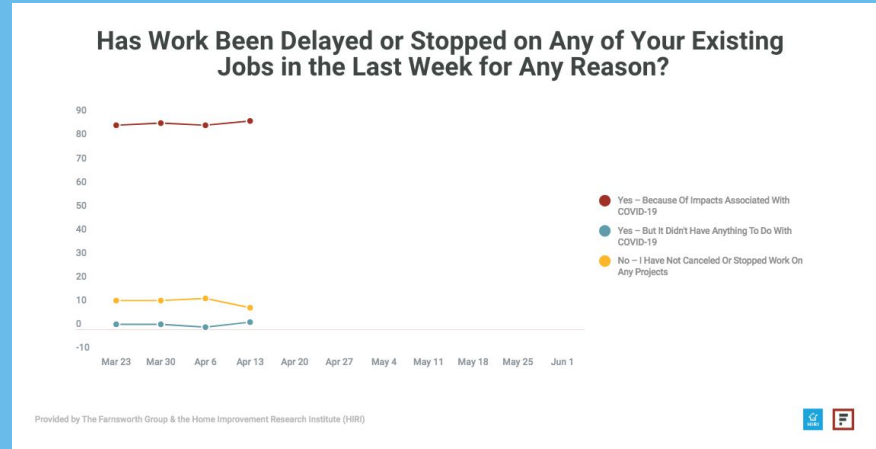
- Houzz, [2020Q2 Houzz Renovation Barometer - Construction Sector](#), April 14



86% OF CONTRACTORS REPORT PROJECT DELAY/STOPS

For the past four weeks, **83-86%** percent of contractors surveyed are reporting work being delayed or stopped due to impacts associated with **COVID-19**. 73% of those contractors believe these projects will be stopped for three months or less.

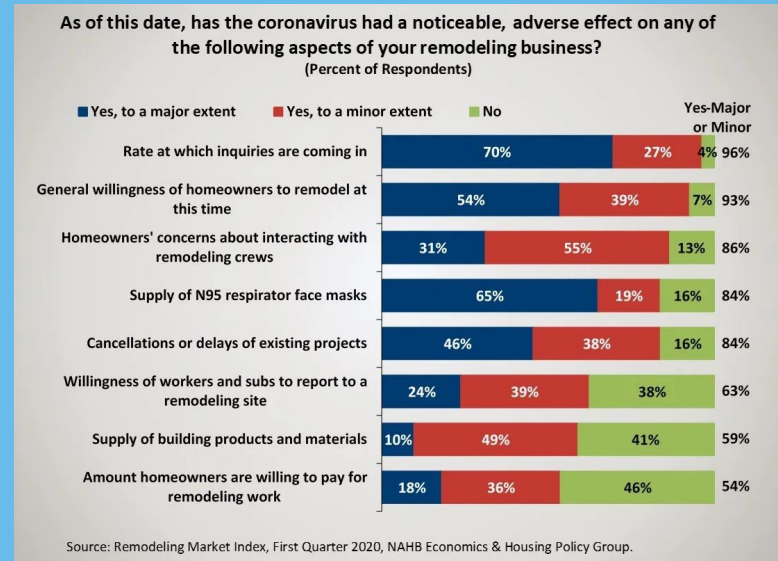
- Farnsworth Group, [Weekly Covid Impact Tracker](#)



VIRUS AFFECTING HOMEOWNERS' WILL TO REMODEL

An [NAHB Survey of Remodeling Pros](#) shows:

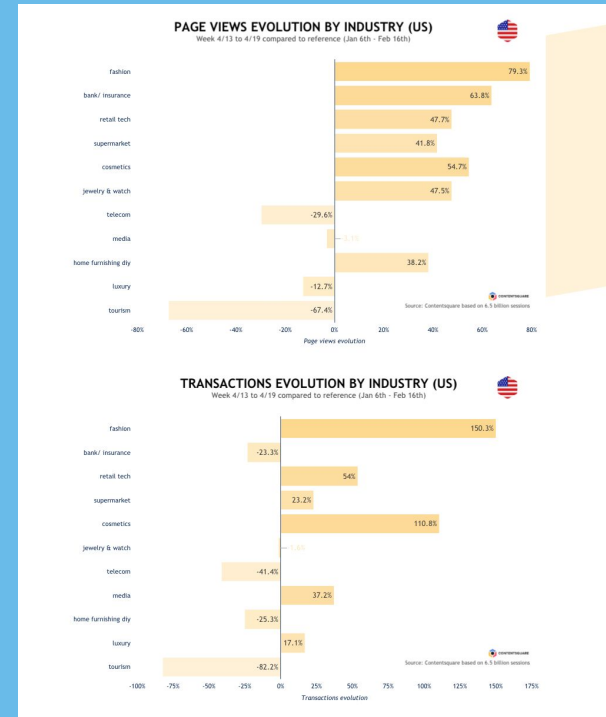
- More than 90% of remodeling firms in the survey reported **a slowdown in both the rate at which inquiries are coming in and in the general willingness of homeowners to remodel at this time.**
- More than 80% said the virus is having a noticeable, adverse impact on homeowners' concerns about interacting with remodeling crews.



HOME/DIY INTEREST UP - TRANSACTIONS DOWN

Content Square reports **a continued growing interest in the home furnishing and DIY category that isn't translating to sales right now.** Cross-referencing these trends with other industry resources, this lack of buying could be due to product availability, shopper insecurity concerning financial stability or a fear of inviting professionals into the home to complete the work.

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



CONSTRUCTION TOPS INDUSTRIES IN PPP LOANS

Of the total \$349 billion in SBA Paycheck Protection Program (PPP) issued, **the construction industry received more than any other industry at just under \$45 billion** (177,905 loan approvals), likely driven by the industry widely being considered an "essential" business during this period of mandatory business shutdowns. **Roughly 13% of all loaned funds went to small business contractors.**

- Construction Dive, [Senate approves additional PPP funds 5 days after original funding runs out](#), April 22

RETAIL SALES PLUNGE IN MARCH

Retail sales plunged 8.7% in March compared to the previous month and 6.2% compared to March 2019, according to estimates from the U.S. Department of Commerce. A record-breaking decline. Sharper than anything seen in the late 2000s.

The biggest hits were in clothing and clothing accessories stores (down 50.7% compared to the same time last year), furniture and home furnishings stores (down 24.6%), motor vehicles and parts dealers (down 23.7%), food services and drinking places (down 23%), and sporting goods, hobby, musical instrument and book stores (down 22.7%).

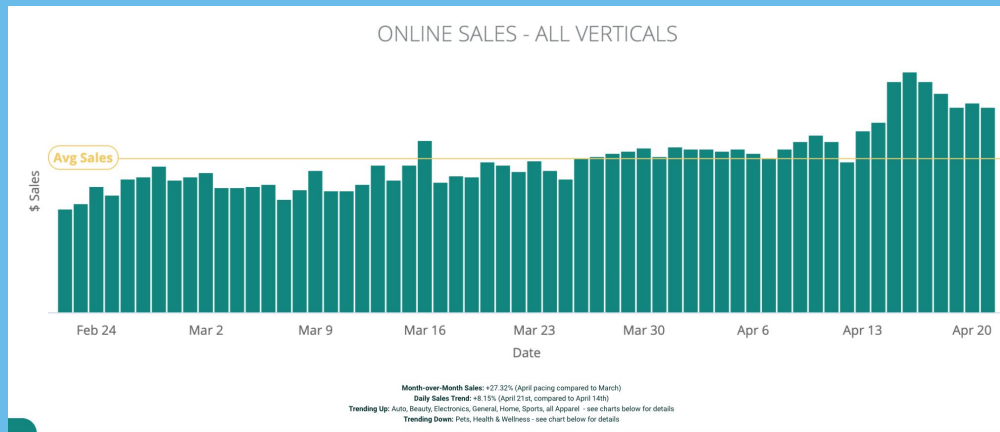
Building materials and garden equipment and supplies and dealers are up 7.6% vs last March. Food and beverage and general merchandise retail are also up vs. last March.

- [U.S. Department of Commerce](#)

ONLINE SALES TRENDS CONTINUE TO RISE

Online sales trends continue to hold steady according to the latest data from Attentive, a mobile ecommerce platform provider. Categories trending up include Auto, Beauty, Electronics, General, Home, Sports and Apparel.

- [Attentive](#), as of April 21, 2020



HOME SALES UP IN MARCH (YOY) DESPITE PANDEMIC

Existing home sales dropped 8.5% from February to March, but housing sales were up 0.8% compared to March 2019, primarily boosted by sales of homes priced at \$250,000 and higher. Homes priced at \$100,000 or less experienced an 18% drop in year-over-year sales, while homes between \$100,000 and \$250,000 fell 4%.

Housing inventory of 1.5M homes in March is the lowest March figure since 1999, down 10% from March 2019.

- [National Association of Realtors](#), April 21

MEDIA TRENDS OVERVIEW

Consumer engagement with video and media has peaked, reaching a saturation point amongst all audiences.

Google and Apple announced a unique partnership this week with plans to **release an API that will enable interoperability between the two operating systems. This will allow apps from public health authorities to perform contact tracing among users** who have opted in with symptoms of COVID-19. This partnership has the potential to impact ad targeting technology in the future.

With the disappearance of high-priced live-sports ad inventory, **networks have a lot of lower-priced inventory that's accessible to a wider range of marketers, resulting in a 26% increase in brands advertising on TV year-over-year.**

MEDIA USAGE REACHES SATURATION POINT

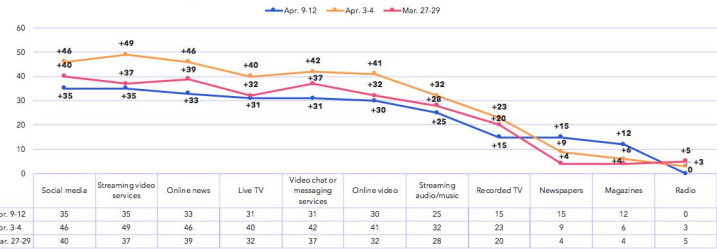
According to the Dentsu Aegis [Covid Crisis Navigator](#) study of behavior and mindsets of 900+ individuals 18-64 in U.S., **spending patterns are beginning to flatten, and media usage has reached a saturation point.** Main takeaways:

- Overall, the economy has become the main concern above catching the virus.
- People feel like things are stabilizing but not getting better.
- 56% of millennials/Gen Z say they are paying attention to what brands are doing right now.

Time spent with media hits a saturation point

After continued gains over two-weeks, net time spent with media starts to drop. While respondents are still spending more time than they normally would, there is only so much media one can consume. Analog rising; digital threshold has been reached.

Net Increase/Decrease in Media Use Compared to Normal
(% who said they are spending more time subtracted by % who said they are spending less time with select media)

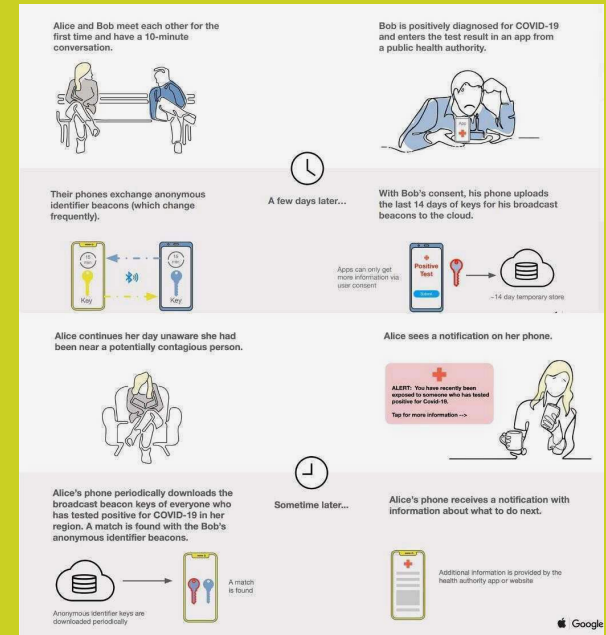


© All rights reserved. See the full report at [https://www.dentsu.com/usa/covid-crisis-navigator](#). Net increase/decrease in media use compared to normal is the percentage of those who said they are spending more time with select media minus the percentage of those who said they are spending less time with select media. Data is based on a survey of 900+ individuals 18-64 in U.S. conducted March 27-29, April 3-4, & April 9-12, 2020. Respondents were asked to select their top concern from a list of 10 items.

GOOGLE AND APPLE PARTNER TO PREVENT SPREAD

The two companies announced that they will **release an API to enable interoperability between the two operating systems. This will allow apps from public health authorities to perform contact tracing among users who have opted in with symptoms of COVID-19.**

The ad tech industry is watching with interest since the technology that enables this exchange - “anonymous identifier beacons” - closely resembles the way cookies are used to target ads. Using this tech for ad targeting in the future depends on Apple and Google choosing to allow advertisers access to the API, assuming they don’t remove the feature altogether after the coronavirus threat fades.



NEARLY 26% MORE BRANDS ADVERTISING ON TV

iSpot.tv is conducting a detailed study of how marketers have been shifting their TV ad budgets, both as the coronavirus pandemic has escalated and over time.

- **Nearly 26% more brands (+1,247) are advertising on TV today vs. a year ago.**
- With the disappearance of high-priced live-sports ad inventory, **networks have a lot more lower-priced inventory that's accessible to a wider range of marketers.**
- Networks, even before the pandemic, were expanding their offerings to marketers — in some cases offering more budget-friendly entry points — to better compete with digital behemoths Facebook and Google.

VIDEO ADS FEATURING INTERIOR DESIGN SAW 287% VTR

VidMob tracked and analyzed the performance of 37,000 social video ads on Facebook and Instagram between January 13 and April 4. The video creative platform learned that **ads featuring prominent interior design content – such as furniture, fireplaces and sofas – saw a 287% lift in view-through rate.**

NETFLIX ADDS 15.8M SUBSCRIBERS

Netflix reported 15.8 million new memberships in Q1, a massive increase in subscribers.

The number of global subscribers increased by less than 10 million during the same period last year. The new additions were also largely outside of North America, with 7 million of the new subscribers coming from Europe, the Middle East and Africa.

- Forbes, [Netflix Adds 15.8 Million Subscribers In First Quarter](#), April 21

DISCOVERY PORTFOLIO CONTINUES AUDIENCE GROWTH

The Discovery portfolio continues to see higher audience delivery (+13%) since the start of the pandemic as viewers hunker down and consume more TV.

Food (Food Network & Cooking Channel) content remains hot (+33% & +38% respectively vs. prior six weeks in total day).

TLC is +27% YoY and +14% vs. pre-COVID six weeks.

MAGNOLIA NETWORK DELAYING LAUNCH

Originally set to debut October 4, **Magnolia Network is delaying their launch** until they can safely resume production schedules. The network will still continue with the 4-hour preview event on DIY Network, scheduled for April 26 at 5 p.m. EDT.

BRAND TRENDS OVERVIEW

Brands are finding ways to produce new TV spots at a rapid pace, with 453 different spots referencing the pandemic, according to iSpot.tv.







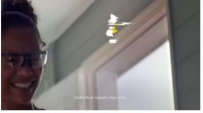





Spots are showcasing families in quarantine environments or how they are altering their services as well as their employees' efforts to serve their customers. In the sea of COVID-sameness, audiences are beginning to be more receptive to humor and escapism through advertising.

The NFL draft, which starts on Thursday, April 23, is the first live sports event in weeks. This should bring some new spots and advertising messages to the market.

453 COVID-19-RELATED TV SPOTS

To date, iSpot.tv is reporting a total of **453 COVID-19-related TV spots**. You can watch them all at [ispot.tv](https://www.ispot.tv).

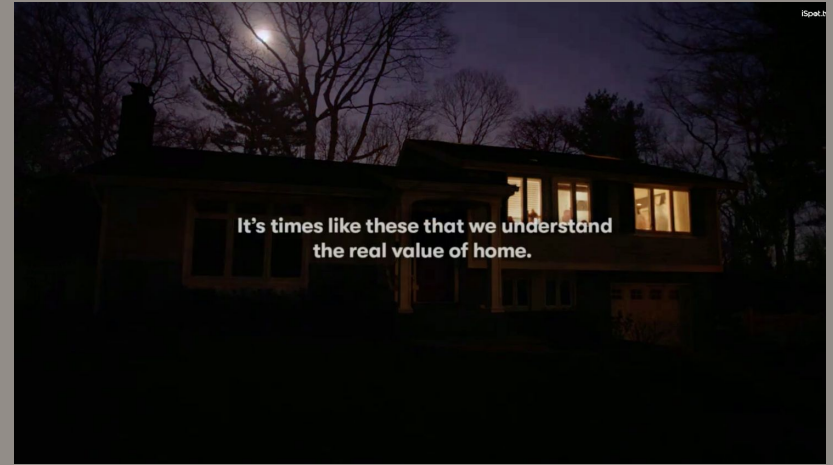
Welcome to iSpot's ongoing coverage of how COVID-19 is impacting TV viewership and advertising. Many brands and organizations have quickly responded to the COVID-19 pandemic with relevant creatives and new sales, deals and calls to action. We will continue to refresh and add creatives to this page throughout the COVID-19 pandemic.

 <p>Frontier Communications TV Spot, 'Quarantine School' Song by Tom Paxton First Aired: 04/22/2020</p>	 <p>Pizza Hut TV Spot, 'Proud to Serve' First Aired: 04/22/2020</p>	 <p>McDonald's TV Spot, 'Grown Brave' First Aired: 04/22/2020</p>	 <p>Bumble TV Spot, 'Canceled Plans' First Aired: 04/22/2020</p>
 <p>Paralyzed Veterans of America TV Spot, 'Concerned Veterans' Featuring Ben Affleck First Aired: 04/22/2020</p>	 <p>Toyota TV Spot, 'On the Road: 90 Day Deferral' [T1] First Aired: 04/22/2020</p>	 <p>RINVOQ TV Spot, 'COVID-19: Take It On' First Aired: 04/22/2020</p>	 <p>Centers for Disease Control and Prevention TV Spot, 'COVID-19: Smithsonian: Lots of Ways to Stay Connected' First Aired: 04/22/2020</p>
 <p>Jersey Mike's TV Spot, 'Insulation' First Aired: 04/22/2020</p>	 <p>Subaru Loves to Help TV Spot, 'Never Been More True' [T1] First Aired: 04/22/2020</p>	 <p>McDonald's TV Spot, 'Most Important Meal' First Aired: 04/22/2020</p>	 <p>Centers for Disease Control and Prevention TV Spot, 'COVID-19: Smithsonian: Stay Calm and Make Time for Yourself' First Aired: 04/22/2020</p>

NEW LISTINGS DOWN 27.1% IN FIRST WEEK OF APRIL

According to Zillow, **new listings for the first week of April were down 27.1 percent nationwide** compared with the year-earlier period. The biggest slowdowns were in Detroit, Pittsburgh and New York.

Zillow also debuted a :30 spot this past week. Called "The real value of home," it shows a time-lapsed day-in-the-life for a quarantined family.



LOWE'S ADVERTISING DURING NFL DRAFT

Lowe's is airing three new ads during the NFL Draft this week, hinting a bolder marketing strategy is part of its turnaround plans. The commercials will feature the Lowe's workforce helping communities during crises, as well as the comfort of staying at home during the COVID-19 pandemic.

The CEO of Lowe's said the company has seen an increase in sales "across nearly every home category." The CEO said customers have depended on the company for cleaning supplies, products "for urgent home repair and items for DIY projects."

Lowe's is hiring for an additional 30,000 positions in the United States.

- [CNBC](#), April 22

CRISIS INSPIRES INDUSTRY COLLABORATION

Competing general contractors are sharing information more than ever before, posting photos, best practices and toolbox talks on their websites and sharing ideas on webinars and conference calls to offer solutions that can keep workers safe and benefit the industry.

"It's all about 'What are you doing and what have you seen to help business?' in what is usually a very competitive environment," said Mike Benike, EVP, Rochester, Minnesota-based Benike Construction.

- Construction Dive, [Coronavirus crisis inspires industry collaboration: 'We're all in this together'](#), April 20

AMAZON SLASHES PUBLISHER COMMISSION RATES

On April 14, Amazon informed publishers it would slash commission rates it offered through Amazon Associates, their affiliate marketing program that publishers can tap into. The associates program had become a prominent revenue stream for a lot of publishers that diversified their revenue mix to be less dependent on social platforms. The reduced commissions went into effect 4/21.

Commissions on home products, a fast-growing category with so many people now sheltered in place, had been cut by nearly two-thirds, from 8% to 3%.

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

- JCHS
- Houzz
- The Farnsworth Group
- NAHB
- Content Square
- Construction Dive
- U.S. Department of Commerce
- Attentive
- National Association of Home Builders
- Dentsu Aegis
- Google
- Apple
- iSpot.tv
- VidMob
- Forbes
- Discovery Networks
- Magnolia Network
- CNBC
- Amazon

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