

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?

While our shelter-at-home lives are resembling Groundhog Day, the tidal wave of information and news continues. In the past seven days, Congress passed a second economic stimulus package for small businesses. Meanwhile, earnings reports from Alphabet (GOOG), Facebook (FB) and Microsoft (MSFT) in tech, and Boeing (BA), Caterpillar (CAT), Tesla (TSLA) and 3M (MMM) in manufacturing, drove generally positive reactions on Wall Street, in spite of news of the economy posting its biggest retraction in 12 years in Q1.

And that's the small stuff compared to the drama and uncertainty of when and how governors will relax coronavirus-related restrictions, now and in the coming weeks. With an incubation period of one to 14 days (and an average of five) for COVID-19, we could start seeing the impact of these changes by the end of next week.

While many brands are still in survival mode, planning discussions have shifted to achieving success in the yet-to-be-defined new normal.

MARKET TRENDS OVERVIEW

In spite of another 3.2 million jobless claims, downward movement of the first quarter U.S. GDP and forecasts of a dramatic 25-40% GDP drop in Q2, Wall Street posted gains this week on the back of generally positive earning reports from Alphabet (GOOG), Facebook (FB) and Microsoft (MSFT) in tech, and Boeing (BA), Caterpillar (CAT), Tesla (TSLA) and 3M (MMM) in manufacturing.

The Fed and Congress continue to pull all of the traditional economic stimulus levers, passing new stimulus bills and pushing for even further relief in the coming weeks, including debates around another round of personal stimulus checks.

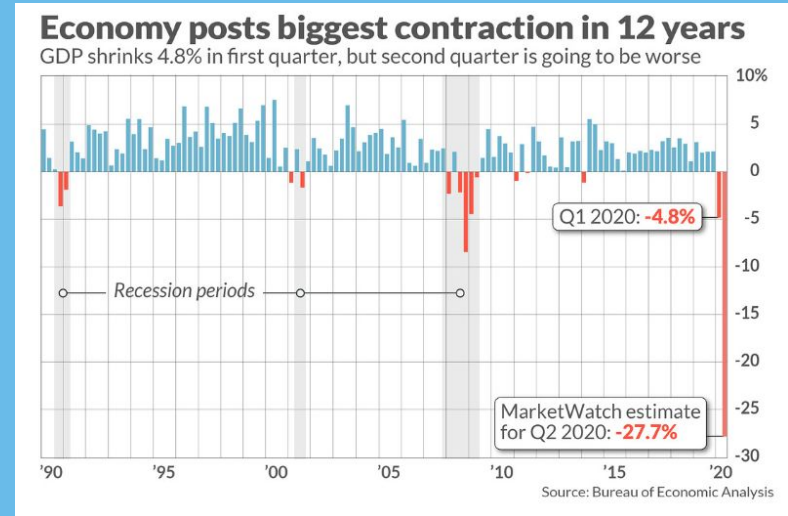
In the home and building category, trends are holding steady, with product interest and online searches up but sales lagging. We continue to see increased consumer interest in DIY projects, and some high-end interior designers are reporting continued projects. Meanwhile, most contractors and builders are reporting increased uncertainty in their project pipelines.

ECONOMY POSTS BIGGEST CONTRACTION IN 12 YEARS

The collapse in the U.S. economy caused by the coronavirus pandemic triggered the biggest drop in gross domestic product in the first quarter since 2008 - a prelude to an even more massive decline in the spring. GDP, the official scorecard for economic growth, shrank at a 4.8% annualized pace.

The economy is likely to contract by 25% or more in the second quarter, with some forecasts putting the decline at a record 40%.

- MarketWatch, GDP sinks 4.8% in the first quarter, biggest drop since 2008 and there is worse to come, April 29

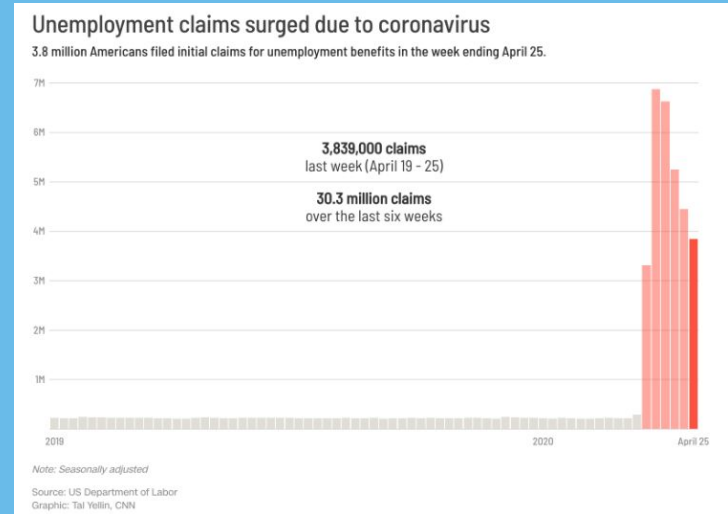


30.3M JOBLESS CLAIMS DURING LAST SIX WEEKS

Another 3.8 million Americans filed for first-time unemployment benefits in the week ending April 25.

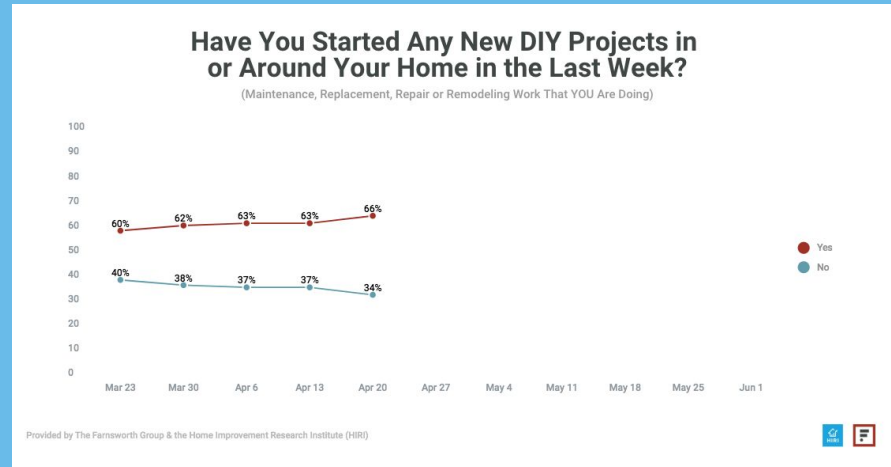
In total, more than 30 million people have filed first-time claims since mid-March, as the coronavirus pandemic has forced businesses to close and lay off workers.

- CNN, [US stock futures mixed after new jobless claims report](#), April 30



SLIGHT UPTICKS REPORTED IN DIY ACTIVITY

For the past five weeks, **reported DIY activity has moved up slightly each week since March 23**. These numbers are impacted by the spring lawn and garden season. The full Weekly COVID Impact Tracker dives into DIY market sub-segments. The Farnsworth Group is also tracking contractor activity.

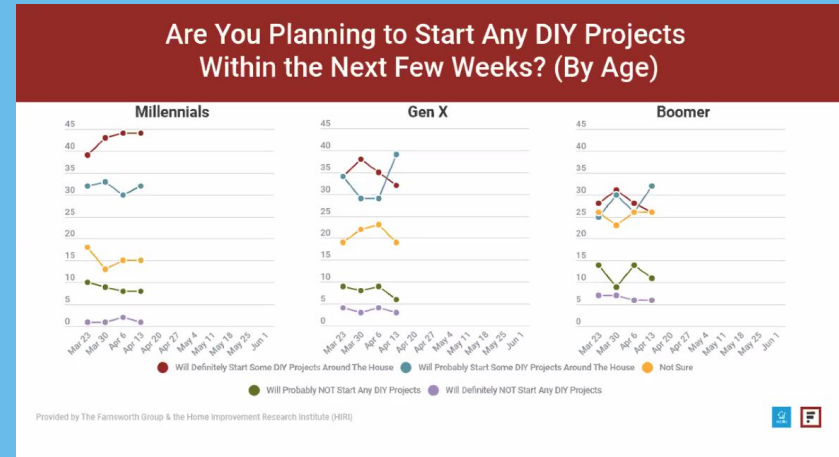


- The Farnsworth Group, [Weekly COVID Impact Tracker](#)

FUTURE DIY PROJECTS TRENDING UP

Future DIY projects are trending up - and the younger the generation, the more likely they are to start a project. Spending projections show a similar trend.

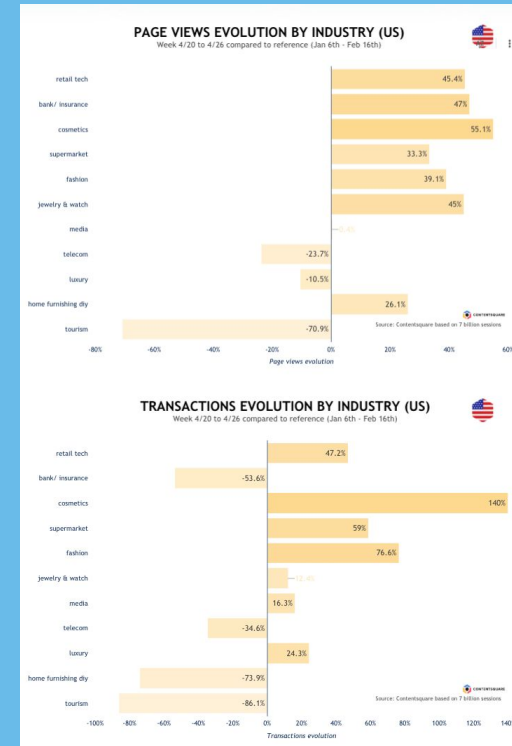
- The Farnsworth Group, [Weekly COVID Impact Tracker](#)



HOME FURNISHING DIY ONLINE TRANSACTIONS PLUNGE

In the past month, Contentsquare's eCommerce Impact Data Hub (based on 7 billion sessions) has reported a general increase in Home Furnishing DIY interest and a slight decrease in transactions. This week's update, comparing 4/20-4/26 to 1/6-2/16, reports **a sharp drop (74%) in Home Furnishing DIY ecommerce transactions**. Previously, transaction comparisons were in the -20% range. The full picture is interesting, with traffic volume (-16%) and transactions (-74%) down but total page views (+26%) up.

- Contentsquare, [The COVID-19 eCommerce Impact Data Hub](#), April 26



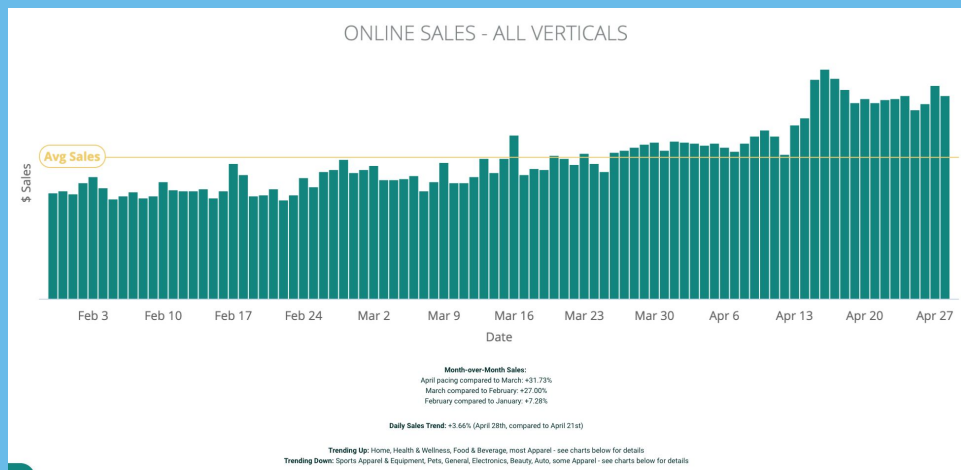
ONLY 50% BELIEVE IT'S A GOOD TIME TO BUY A HOME

According a Gallup poll released on April 24, **only 50% of Americans believe it's a good time to buy a home - an all-time low**. The previous low came in 2006, when only 52% of Americans thought it was a good time to buy amid the subprime mortgage-fueled housing bubble.

- Realtor.com, [Gallup: Only 50% of Americans Believe It's a Good Time to Buy a Home](#), April 24

APRIL ONLINE SALES +32% COMPARED TO MARCH

Online sales trends continue to hold steady, with April sales pacing +32% over March, according to the latest data from Attentive, a mobile ecommerce platform provider. Categories trending up this week include Home, Health and Wellness, and most Apparel.



- [Attentive](#), as of April 28, 2020

MEDIA TRENDS OVERVIEW

Even with sharp decreases in demand in March, both Google and Facebook reported increases in ad revenue in Q1 2020. Google is reporting a normalizing of user behavior in recent weeks, while Facebook reported a flat April year-over-year in ad revenue, but an increase of user interaction across their properties.

We continue to see reports of people looking for a distraction from coronavirus-related news, and they continue to turn to home-related content for that escape. Online video and social media usage is up the most, especially among younger Gen Z and millennial audience segments, with TikTok gaining the largest audiences so far in 2020.

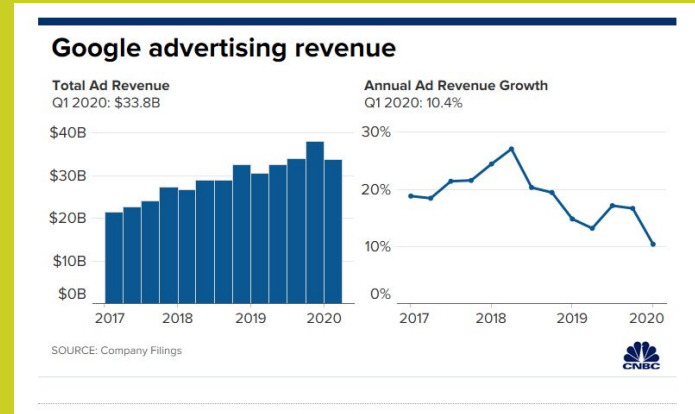
Across the home category, consumer journeys are lengthened, even as research and project planning increase. Hopefully, this will drive a quick recovery based on pent-up demand.

GOOGLE AD REVENUE UP 10.3% IN Q1

“The decline in our Search and other ads revenue was abrupt in March, and although we’re seeing some early signs at this point that users are returning to more commercial behavior, it’s not clear how durable or monetizable that will be,” said Alphabet CFO Ruth Porat.

Google’s total advertising revenues rose to \$33.76B from \$30.59B YOY. YouTube ad revenue grew 33% YOY. However, brand advertising saw a steep drop-off in March, while other forms of YouTube advertising did not.

- CNBC, [Alphabet Stock Rises More than 7% as Ad Slowdown Turns Out to Be Less Than Feared](#), April 28



FACEBOOK AD COSTS DOWN, USERS UP

During Facebook's quarterly earnings call, the company reported total users crested 3 billion for the first time, with daily active people across all company platforms up 12% (2.36B).

Facebook experienced “a significant reduction in the demand for advertising” and a drop in ad prices during the last three weeks of the quarter. After the initial steep decrease in advertising revenue in March, the company reported that April advertising revenue has been approximately flat compared to the same period a year ago, but down from the 17% YOY growth in Q1 of 2020.

The company also reported that messaging has spiked more than 50%, and voice and video calling have more than doubled.

- Barron's, [Facebook Stock Surges on 'Signs of Stability' in Ad Trends. Revenue Beat Forecasts, April 29](#)

READERS LOOKING FOR DISTRACTIONS

In a survey of 20,000 readers fielded from April 6-13 across Leaf Group's largest digital properties ([LiveStrong](#), [Well+Good](#), [Hunker](#), [eHow](#), and more), Leaf found:

- Only 24% said “staying current on news” was the main purpose of the content they’re regularly consuming
- 67% of all respondents have been regularly organizing their home
- 64% of Hunker readers are seeking DIY yard, garden or patio content
- 55% of all respondents said they will support companies who made public commitments to help during the COVID-19 crisis

REPORTED MEDIA USAGE CONTINUES TO RISE

At-home media consumption and online consumption have grown significantly in lockdown, particularly among younger viewing audiences. Online video has seen the greatest increase, with 72% of Gen Z and 69% of millennials saying they use it more (vs. 52% overall). Of all the online platforms, YouTube has now seen the greatest increase, with 71% of Gen Z and 65% of millennials using the channel more. TikTok is also gaining momentum, with usage up by 33% among Gen Z and 27% among millennials.

- Kantar, [COVID-19 Barometer: More than half of Millennials' and GenZ's household incomes impacted](#), April 23

U.S. CONSUMERS FLOCKING TO TIKTOK

TikTok is experiencing a substantial boost during the coronavirus pandemic. It added more than 12 million U.S. unique visitors in March, reaching 52.2 million according to data provided to eMarketer by Comscore. Between January and March, TikTok's U.S. unique visitor count rose 48.3%.

- eMarketer, [US Consumers are Flocking to TikTok](#), April 27

US TikTok Metrics, Oct 2019-March 2020

	TikTok.com*		TikTok**	
	Total unique visitors (millions)	Average minutes per visitor	Total unique visitors (millions)	Average minutes per visitor
Oct 2019	27.0	305.9	18.6	442.9
Nov 2019	29.0	366.7	20.1	526.1
Dec 2019	32.9	383.8	22.4	561.2
Jan 2020	35.2	429.8	22.2	680.0
Feb 2020	40.0	425.6	23.2	731.6
March 2020	52.2	476.0	28.8	858.0
—% change Oct-March	93.7%	93.2%	55.6%	55.0%
—% change Jan-March	26.2%	48.3%	10.8%	30.1%

Note: *ages 2+, includes desktop, mobile website and app; **ages 18+, includes mobile app only

Source: Comscore Media Metrix Multi-Platform, April 17, 2020

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www.eMarketer.com

SEARCH SHIFTS AND STRETCHED JOURNEYS

The COVID-19 shopper does not have a traditional purchase journey. The research phase is much longer right now, as many people are looking for information and planning without pulling the trigger.

To generate conversions, pay special attention to pricing and availability, as buyers may not be able to acquire their normal brand and may be extra sensitive to price. Now may be the time to test new pricing strategies for in-stock challenger products to capture new customers.



GOOGLE REPORTS USERS LIKE TO COOK BORING FOOD

Just kidding. Sort of. CNBC shared recent Google data on the top 10 recipe searches. Our grandmas might be proud we're turning to comfort food, instead of more modern and healthy choices from today's new at-home chefs.

- CNBC, [From banana bread to lasagna: Top 10 most-googled recipes while people are self-quarantining](#), April 26

Top 10 Most Googled Recipes

1. Banana Bread
2. Pancake
3. Chicken
4. Pizza Dough
5. Brownie
6. Crepe
7. Meatloaf
8. French Toast
9. Lasagna
10. Cheesecake

BRAND TRENDS OVERVIEW

During this crisis, creativity is setting brands apart. Brands are being heralded for offering their customers creative solutions for dealing with the challenges caused by the pandemic and for providing support for frontline healthcare workers.

All the while, marketers are faced with challenging choices about media spend, event plans and campaign roll-outs. If that wasn't hard enough, while video calls keep us tethered to colleagues, family and friends, they are proving to add stress and anxiety to our lives.

Many brands are still in survival mode, trying to determine next week's best course of action, but others have moved toward Q3 planning and beyond. Those looking at longer-term planning may be able to get some direction by looking back at the last great recession.

CREATIVITY SHINES IN TIMES OF CRISIS

If you need some inspiration, the teams behind TrendWatch and BusinessofPurpose have put together a website showcasing more than 500 COVID-related innovations.

Examples include everything from an event producer creating office furniture to new airline seat designs to Whirlpool's #ChoreClub to a new freelancer database.

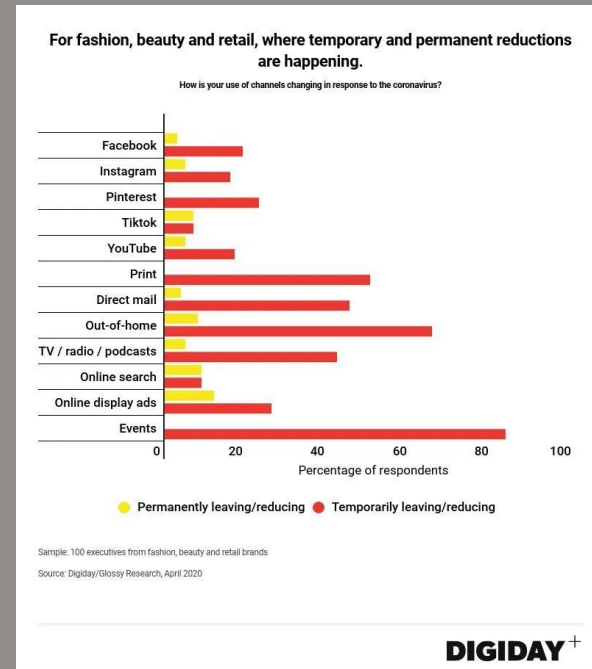
Be inspired at covidinnovations.com.



73% OF MEDIA BUYERS REPORT PAUSING CAMPAIGNS

73% of executive media buyers from fashion, beauty and retail brands reported pausing campaigns while they assess their next moves. Surveyed brands said they are keeping most of their Facebook, Instagram and online search campaigns intact, while other channels are taking a bigger hit.

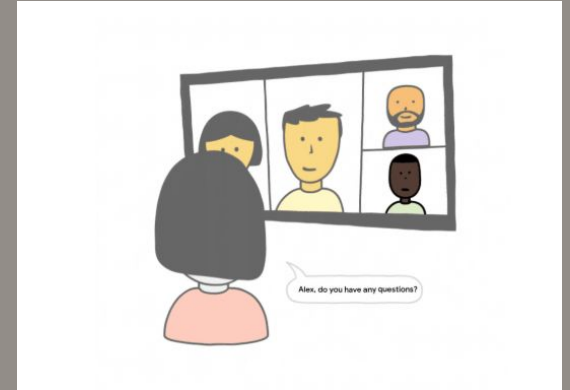
- Digiday, [Digiday Research: How ad spending is changing in the coronavirus era](#), April 27



WHY REMOTE MEETINGS FEEL DIFFERENT

If you've found yourself wondering the past seven weeks why video calls don't feel the same as in-person conversations, a researcher at Google [dug into the science](#) behind remote communication and five ways relying on video calls for all conversations make team communication more challenging.

1. Milliseconds matter, which disrupts conversation flow.
2. Virtual hallway conversations boost group performance.
3. Visual clues make conversations smoother.
4. Distance can amplify team trust issues.
5. Passing the talking stick makes remote teams smarter.



WTF ARE WE GOING TO DO NOW?

MediaPost contributor Scott Gillum shared three things he learned by researching the projects his clients were undertaking during the Great Recession of 2007.

- Repositioning and structural change
- Fixing the infrastructure
- Refining the value: It's not the value proposition, it's the entire value package

In challenging times, basic survival is the first reaction. And for many, that may be the case for the foreseeable future. But soon, there will be a light at the end of the tunnel. Keep your eyes on the horizon.

MediaPost, [WTF are We Going to Do Now?](#), April 20

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

- MarketWatch
- CNN
- The Farnsworth Group
- Contentsquare
- Realtor.com
- Attentive
- Barron's
- CNBC
- Leaf Group
- Kantar
- eMarketer
- Venveo
- Magnolia Network
- CNBC
- TrendWatch
- Digiday
- MediaPost

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