

# 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?

**We remain mired in an uncertain and unpredictable environment, with mixed messages and direction coming from government leaders, health care experts, economists and the media.** The growing divide over how to manage the reopening of our economy has resulted in protests across the country, as governors try to determine what's next for their states and business leaders determine how to reopen their doors.

**The pandemic has crushed the U.S. labor market**, with reports this week of one in five American workers filing for first-time unemployment benefits since mid-March. With more than 60% of Gen Z and Gen X ready to move forward and retail in the early stages of reopening in more than half the country, there are early signs of progress toward getting people back to work and our economy back on track.

The next few weeks will be critical in determining our society's ability to adjust to the new rules of working, shopping and living in public during a pandemic.

# MARKET TRENDS OVERVIEW

**While unemployment claims in the past seven weeks topped 33.5 million, weekly claim numbers are trending down from early April's high point.**

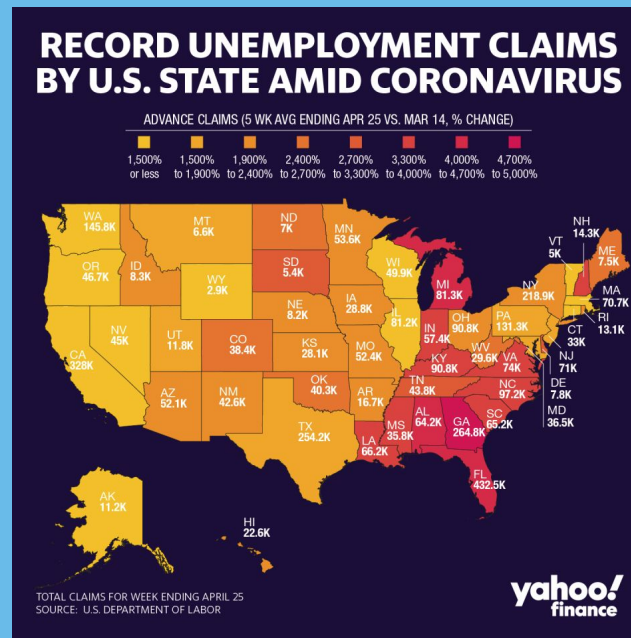
**Mortgage rates hit record lows this week**, which is driving refinance activity and helping to improve residential purchase demand from mid-April lows. Despite a significant reduction in sales volume, these low rates may be a contributor to the minor forecasted price dip in residential housing this year.

**Remodeling spending is pulling back in many markets across the country, but some spending growth is still expected in high-growth markets.** Meanwhile, the contractors performing this work have shown significant adoption of online versus in-store purchasing during the past five weeks.

# 3.2M WORKERS FILED FOR UNEMPLOYMENT LAST WEEK

**Another 3.2 million Americans filed for unemployment** benefits during the week ending May 2, following 3.839 million initial jobless claims in the prior week. While still extremely elevated, jobless claims are trending down since hitting their peak five weeks ago.

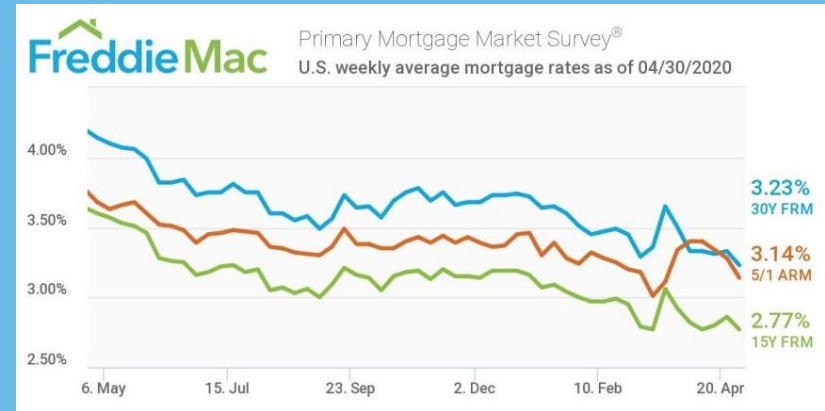
- Yahoo! Finance, [Jobless claims: Another 3 million Americans expected to have filed for unemployment benefits, May 6](#)



# MORTGAGE RATES HIT BOTTOM

“The size and depth of the secondary mortgage market is helping to keep rates at record lows. **These low rates are driving higher refinance activity and have modestly helped improve purchase demand** from their extremely low levels in mid-April,” said Sam Khater, Freddie Mac’s chief economist. “While many people are benefiting from low mortgage rates, it’s important to remember that not all people are able to take advantage of them given the current pandemic.”

- Hanley Wood, [Mortgage Rates Hit Bottom](#), May 3



# ZILLOW FORECASTS HOME PRICE DIP, 2021 REBOUND

**Buyer demand and healthy housing market dynamics will prevent U.S. home prices from dropping more than 2-3% — or more than 1.7% year-over-year — in the wake of the coronavirus.**

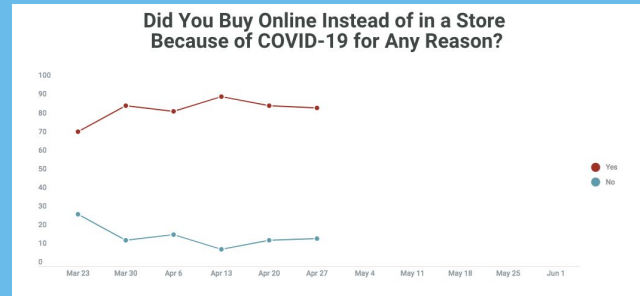
- LBM Journal, Zillow forecast: Dip in home prices and a rebound by next year, May 4



# CONTRACTORS INCREASING ONLINE PURCHASING

Contractors continue to experience delays and canceled projects. **Contractor-reported behavior during this crisis period shows an increase in online versus in-store purchases.** Many stores have adopted or increased curbside pick-up and jobsite delivery; these services will likely be a new expectation as contractors become accustomed to the practice.

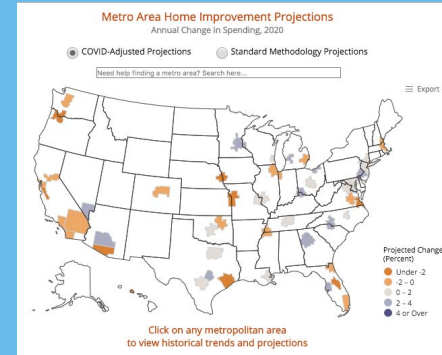
- The Farnsworth Group, [Weekly COVID Impact Tracker](#)





# PANDEMIC SHRINKS 2020 REMODELING SPENDING

A survey from the Joint Center for Housing Studies at Harvard University projected the effect of COVID-19 on remodeling in across major metropolitan areas of the U.S. **The study estimated that home remodeling will decrease in 24 metro areas. However, small increases in remodeling activity are forecast for 17 metro areas.** You can scan metro areas via JCHS's interactive map.



“Homeowners who are concerned about losses of income, home equity, and other forms of wealth are anxious about making large investments in improving their homes in this economic environment.”

- JCHS, [Pandemic expected to shrink 2020 remodeling spending in majority of top metros](#), April 30

# MCKINSEY: COVID-19 CHANGING B2B BUYING PROCESS

To better understand how customers and sellers are reacting, McKinsey launched a survey of B2B businesses across 11 countries in seven sectors and across 14 spending categories. Their findings reveal three emergent themes:

- Spend. **While companies are generally reducing spend, a sizable number are increasing or maintaining it**, with rates depending on company size, sector and, more than any other factor, location in the world.
- Digital. Looking forward, **B2B companies see digital interactions as two to three times more important to their customers than traditional sales interactions.**
- Remote. Almost **90% of sales have moved to a video conferencing (VC)/phone/web sales model**, and while some skepticism remains, more than half believe this is equally or more effective than sales models used before COVID-19.

- McKinsey, [The B2B digital inflection point: How sales have changed during COVID-19](#), April 2020

# MCKINSEY: US B2B SALES MODELS SHIFTING

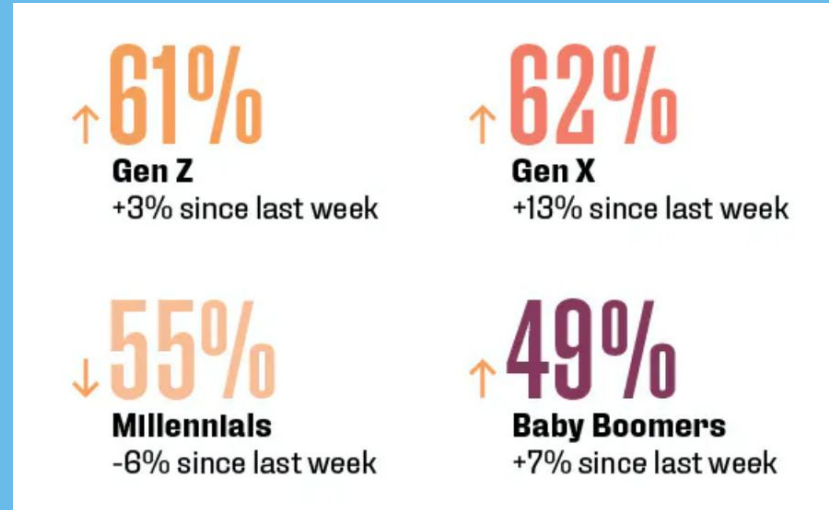
- 50% believe the economy will rebound in 2–3 months (down from 55% in early April)
- ~50% of B2B companies have already reduced their budgets; spend reductions in the next two weeks are more tempered (~40% reducing spend)
- **Preference for digital now ~2X more than traditional sales interactions**; self-serve, digital ordering methods now prioritized, e.g., mobile app ordering up 250%+
- **Remote selling is now the norm and perceived to be effective**: 96% of B2B companies have shifted their GTM model during COVID-19; 65% believe the new model is just as effective or more than before (up from 60% in early April)
- Sales model changes are expected to stay: 32% are “very likely” to sustain these shifts 12+ months after COVID-19 and another 47% are “somewhat likely” to do so

- McKinsey, [Survey: US B2B decision-maker response to COVID-19 crisis](#), May 2

# GEN X AND GEN Z MOST READY TO EASE STAY-AT-HOME

**Gen X is most in favor of relaxing U.S. stay-at-home and social distancing requirements now in order to boost the economy,** according to an Engine Insights online omnibus survey.

- Engine Insights, [Keeping the Pulse of the Consumer and Covid-19, Part 9](#), May 3



# MEDIA TRENDS OVERVIEW

**The media trends we've been watching the past two months haven't changed much this week.** Consumer media usage has leveled off but remains at elevated levels. Facebook and Google have been buoyed by direct response advertisers taking advantage of low CPMs due to the pullback of brand spending. Twitter is behind its social media competitors in the direct response game, and the company says improving its capabilities in this space is a key focus right now.

Two weeks ago, we reported on Amazon's publisher affiliate commissions cuts. This week, we're seeing reports of **publishers expanding their affiliate partnerships with other retailers like Walmart, Target and Best Buy.**

Studies and reports continue to be released regarding shifting ad spend in April; according to one report, those shifts were bigger in early April than mid-March.

# TWITTER UPPING ITS DIRECT-RESPONSE GAME

During its Q1 earnings call, **Twitter said direct-response advertising is becoming an even bigger priority given the current global situation.** By improving its direct response offering, Twitter said it hopes to increase its addressable market “with more access to advertising demand that may be more resilient through an economic downturn.” Despite the company’s reported 27% decline in ad business between March 11-31, Twitter reported a year-over-year total revenue growth rate of 3% in Q1.

- eMarketer, [Three Takeaways from Twitter’s Q1 2020 Earnings](#), May 1

# AMAZON AFFILIATE CUTS BOLSTER ALT RETAIL SITES

As a ripple effect of Amazon cutting publisher commissions, **publishers are diversifying their affiliate links and sending referral traffic to competitors like Target and Walmart** that offer higher commission rates.

“In the last three weeks, [publishers] from The Verge to People.com to Best Reviews have recommended Apple products like the new SE phone,” says Shirley Chen, CEO of Narrativ, an e-commerce publishing platform. “Shoppers typically routed to Amazon are now being directed to Best Buy.”

- AdAge, [As Amazon Cuts Commissions, Publishers Divert Customers to Alternative Retail Sites](#), April 28

# CAMPAIGN SHIFTS INCREASED FROM MARCH TO APRIL

According to data from Advertiser Perceptions, which fielded responses during two separate periods of the coronavirus outbreak, **64% of U.S. agencies and brand marketers surveyed in the first week of April said they've postponed a campaign.** That's 15 percentage points higher compared with those surveyed in the first wave, during the third week of March.

- eMarketer, [More US Agencies and Brand Marketers are Putting Their Campaigns On Hold](#), May 3

## How Has the Coronavirus Pandemic Affected US Agencies and Brand Marketers' Advertising Efforts?

% of respondents, March & April 2020

	Wave 1 (March 17-20)	Wave 2 (April 1-4)
Held back a campaign from launching until later in the year	49%	64%
Stopped or pulled a campaign mid-flight	45%	50%
Adjusted media type usage or shifted budget among media types	48%	49%
Canceled a campaign completely (pre-launch)	34%	44%
Paused all new advertising efforts until later in the year	38%	35%
Launched a new campaign that we hadn't previously scheduled	-	24%

Note: wave 1 n=201; wave 2 n=152

Source: Advertiser Perceptions, "Coronavirus Effect on Advertising Report: Wave 2," April 13, 2020

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www.eMarketer.com



# BRAND TRENDS OVERVIEW

**With disrupted supply chains and closed retailers, it's no surprise that interest from brands in direct-to-consumer strategies has exploded** — up 170% compared to February.

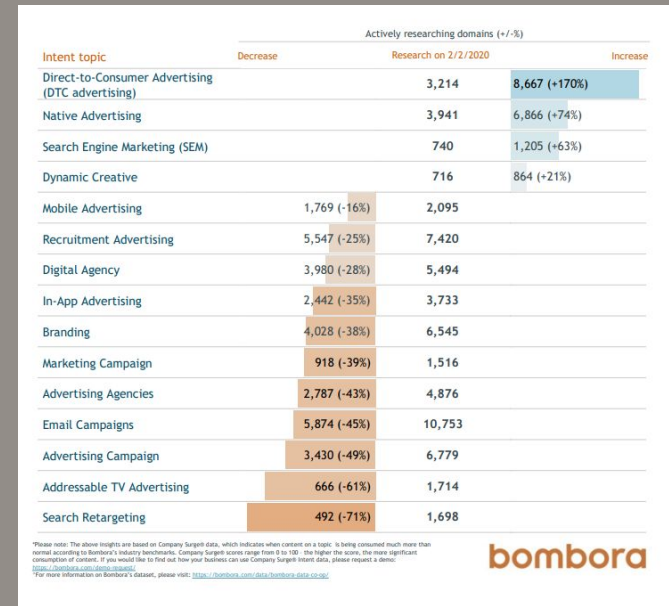
Even traditional retailers like department stores are embracing the need for delivering a better omnichannel shopping experience. **Nordstrom reported an increased focus on online sales and curbside pick-up, in conjunction with closing 14% of its stores.**

Imagine starting a new job right before this all began. Now, imagine that new job is CMO of one of the nation's largest "essential" retail stores. That's Marisa Thalberg's experience as the new CMO of Lowe's. She discussed her experience as a new and remote CMO in a Q&A with Ad Age and provided some insights into shopping trends at Lowe's stores.

# AMERICAN BUSINESS DTC RESEARCH UP 170%

American businesses are spending more time researching direct-to-consumer advertising, native advertising and search engine marketing, and considerably less time with digital content about search retargeting and addressable TV advertising, than they were a quarter ago. The data isn't merely search intent, but actual consumption of content business domains spend their time on.

- Media Post, [Why American Companies Are Researching More D2C, Less Retargeting Post-Pandemic](#), April 27



# NORDSTROM TO CLOSE 16 STORES

**Digital and omnichannel solutions will figure even more prominently in the new department store normal, instead of consumers packing into fitting rooms and crowding around makeup counters.** Nordstrom, in addition to announcing the closing of 16 stores, is rethinking how it serves customers.

“More than ever, we need to work with flexibility and speed,” said Erik Nordstrom, CEO of Nordstrom. “Our market strategy helps with both, **bringing inventory closer to where customers live and work, allowing us to use our stores as fulfillment centers to get products to customers faster, and connecting digital and physical experiences with services like curbside pickup and returns.**”

Media Post, [As Nordstrom, Macy's, Gap Reopen, Digital Looms Larger](#), May 6

# NEW LOWE'S CMO Q&A WITH AD AGE

Ad Age covered a lot of ground, from onboarding and remote leadership to media choices and shopping trends, in an interview with new Lowe's CMO Marisa Thalberg. Thalberg joined Lowe's in January from Taco Bell and has been leading Lowe's marketing remotely through the pandemic.

Thornberg on shopping trends: **“We’ve seen people really dive into the small home improvement projects** that maybe they’d put off because they have the time at home now. There’s something wonderfully constructive about putting your energies into them. We’ve seen [buying of] products that speak to those types of projects and activities that are in demand and then of course all of the essentials that are core to what we do as a home improvement retailer **that enable people to fix things that are broken, keep their homes running smoothly and replace an appliance that is on the fritz.**”

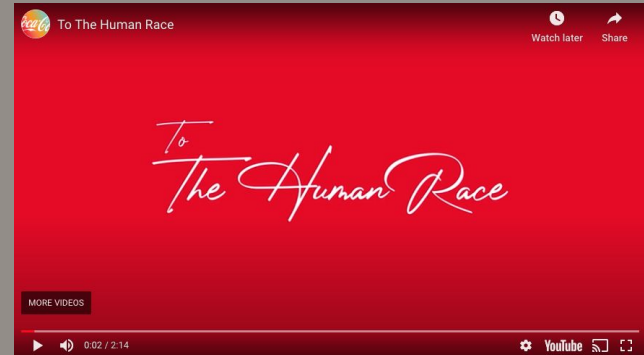
- Ad Age, [LOWE'S NEW CMO ON PANDEMIC MARKETING IN THE AGE OF SOCIAL DISTANCING](#), May 5

# COCA-COLA ISSUES MESSAGE TO THE HUMAN RACE

In celebration of International Workers' Day, **Coca-Cola released a message of thanks to the human race for helping to make the world a better place during the pandemic.**

The video tells a story of two sides, presenting the negative representation of a world we've grown to know during the coronavirus pandemic and juxtaposing it against messages of hope and positivity.

- Drum, [Coca-Cola Launches Film about Lifting Humanity During Challenging Times](#), May 4



# 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

- Yahoo! Finance
- Hanley Wood
- LBM Journal
- The Farnsworth Group
- Joint Center for Housing Studies
- McKinsey
- Engine Insights
- Attentive
- eMarketer
- Ad Age
- MediaPost
- Drum

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