

POV: Marketing Impacts Due to COVID-19

Issue #3 | April 3, 2020

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?

With most of the country in some form of shelter-in-place, total confirmed COVID-19 cases in the U.S. eclipsing 245,000 on April 2 and jobless claims topping 10 million the past two weeks, the effects of the coronavirus pandemic continue to be felt far and wide.

As our citizenry settles into a new normal at home at least through April 30, we continue to see online sales growth both overall and in the home category. This online sales growth is an opportunity for brands with good supply chain outlooks.

The digital media landscape continues to boom across all screen types. Google is advising brands to focus on brand-building activities when/if you are faced with supply chain challenges. Clients who have maintained social media campaigns have experienced significant growth in terms of impressions and engagements during the past 10 days. With increased audiences and inventory, CPCs are down, and engagement is up.

MARKET TRENDS

The bad news continues, with **jobless claims rising to nearly 10 million during the past two weeks**, consumer confidence dropping to its lowest point since 2017 and the NKBA reporting 52% of designers and builders are experiencing delays on current or upcoming projects.

This week, HIRI shared projections showing **a 4% decline in home improvement in 2020**, with a 3% rebound in 2021 and a belief that DIY will drive the recovery. Retail continues to suffer most, while online sales continue to rise. **Lowe's and Home Depot remain bright spots** as they work to manage in-store challenges in our social distancing world.

Bullish analysts continue to predict that a combination of low interest rates, liquidity, pent-up demand and a movement to bring manufacturing back to the U.S. to mitigate future supply interruptions will drive a speedy recovery.

CONSUMER CONFIDENCE DROPS SHARPLY

After four consecutive months of gains, **consumer confidence approached a three-year low in March** due to a deterioration in the short-term outlook. The Consumer Confidence Index, reported by the Conference Board, slipped 12.6 points from 132.6 to 120.0, the lowest reading since September 2017.

Conversely, the Present Situation Index remained relatively strong, reflecting an economy that was on solid footing prior to the recent surge in unemployment claims.

- The Conference Board



NKBA RELEASES SURVEY ON COVID-19 IMPACTS

In response to a NKBA survey fielded March 18-24, designers and building construction pros rated the COVID-19 impact at 7.4 on a scale of 1 (no impact) to 10 (significant impact). Manufacturers reported the least impact at 6.8, while retailers were the highest at 7.6.

- 52% of designers and builders are experiencing delays on current/upcoming projects.
- **19% said they had some jobs canceled.**

Four factors with the greatest impact cited by designers and builders:

- 70% customer desire to practice social distancing
- 68% their own desire to practice social distancing
- 65% customers' financial uncertainty
- 62% need to take care of themselves and their families

U.S. HOMEBUILDING FACING CHALLENGES

In an online survey conducted by the NAHB March 18-23, **81% of respondents said the coronavirus has had an adverse effect on traffic of prospective homebuyers** (of the 308 respondents, 51% are single-family homebuilders; two-thirds were the owner, president or CEO of their company).

Willingness of workers to report to sites was the least common problem listed, although 42 percent of respondents stated this has had at least a minor negative impact on their business.

- National Association of Home Builders

REALTOR.COM WATCHING THREE TRENDS

Realtor.com is watching three housing markets trends due to COVID-19.

- Popular second-home destinations are beginning to slow.
- **Retirees may put home purchases and relocations on hold.**
- Luxury markets could see slumps.

- [MarketWatch](#), April 1

HIRI PROJECTS REBOUND LED BY DIY

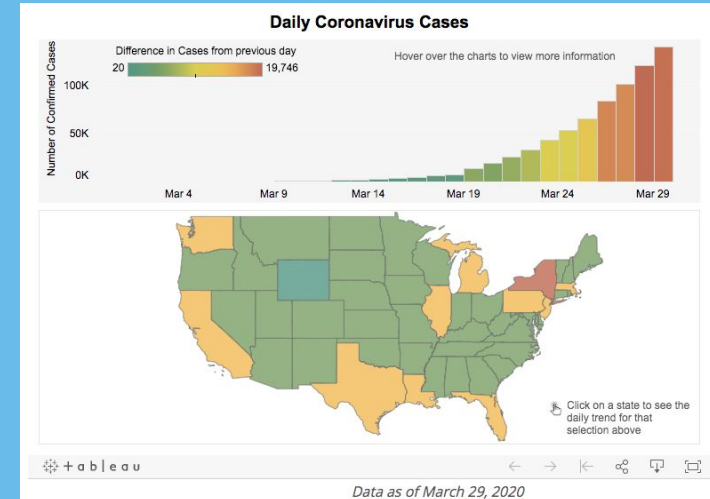
On March 31, the Home Improvement Research Institute (HIRI) provided an updated macroeconomic forecast:

- As consumer priorities turn to grocery and alcohol, perishables is the only category out of the three shown that won't decline this year (vs. durable goods and services).
- **Home furnishings are expected to be down about 6%.**
- COVID-19 will stop the rapid rise of single-family housing starts and sales, but supply constraints will keep the levels pretty flat.
- **Overall, the home improvement product market is projected to drop 4% this year, but will recover with a 3% increase in 2021.**
- The consumer home improvement products market will drop less than pros and will recover more quickly and strongly. That suggests **DIY, not DIFM, may drive the recovery.**

COVID-19 CASE LEVELS MAY IMPACT CONSTRUCTION

COVID-19 case levels may impact construction activity even in the absence of formal government prohibitions. Principia Consulting is undertaking an analysis to track and calibrate the state-by-state impact of confirmed coronavirus cases on residential construction and building products demand.

- States with above-average caseload make up 51% of remodeling/repair demand and 48% of new construction.
- Decking may be inordinately affected, given its demand is concentrated in states with above-average caseloads.



ARCHITECTURE FIRMS FEELING THE IMPACT

The AIA conducted a special survey to assess the short-term impact of the COVID-19 outbreak on architecture firms. Respondents surveyed between March 17 and March 24 largely indicated that there remains a great deal of uncertainty.

- 59% of firms expect inquiries for new work to decline in March.
- **67% of firms have already seen prospective projects slow or stop.**
- 76% of firms have confronted at least one problem with their current projects related to the COVID-19 outbreak.
- Nearly half of firms indicated that all/virtually all of their staff are now working remotely.
- **Firms anticipate revenue losses of 10% in March, and 15% in April.**

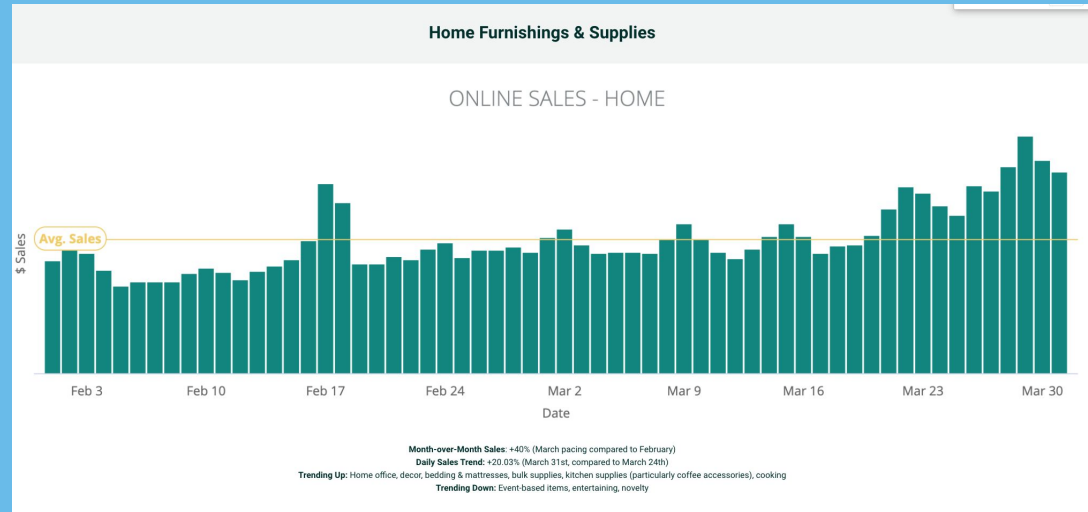
RETAIL HIT HARDEST; HOME IMPROVEMENT STRONG

Retail workers make up a massive chunk of the U.S. labor force - about 15.7 million, according to preliminary figures in February from the U.S. Bureau of Labor Statistics.

Some of the biggest retailers, Macy's, Gap and Kohl's, have furloughed thousands of workers without pay, while **Lowe's and Home Depot are hiring** and adjusting in-store practices in order to manage strong retail traffic and social distancing in-store.

ONLINE SALES CONTINUE TO RISE IN HOME CATEGORY

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



POST-CORONAVIRUS 'CONSTRUCTION TSUNAMI'

Driven by low interest rates, liquidity, pent-up demand and a manufacturing move back to the U.S. to mitigate future supply interruptions, Keith Prather, market intelligence expert for management consulting firm Pioneer IQ, predicts **a post-coronavirus construction tsunami beginning in the third quarter.**

Because the coronavirus has led to major supply chain disruptions, especially of goods from China, Prather said he thinks American businesses will be hesitant to resume orders from this part of the world. This, in turn, will create a **surge of new manufacturing and supply chain-related construction projects** such as factories and warehouses.

“How we source projects has a lot of weaknesses. **We believe that going forward there will be a lot of reshoring back in the U.S.** where we'll see an increase in our manufacturing ability here as well as heading into Mexico.” - Keith Prather, Pioneer IQ

- [Construction Dive](#)

MEDIA TRENDS

While COVID-19 remains the lead topic of interest, digital content consumption is beginning to move toward escapism. After pandemic news, content consumption is dominated by music, video and gaming.

Time spent on mobile devices in the U.S. is up 10% in Q1, and **social media use is surging** across platforms. In conjunction with rising usage rates, **digital media inventory costs are falling**, resulting in **opportunities for brands** that are still spending to capture increased awareness and engagement. And, **media companies are rolling out new platforms to capture this demand.**

As consumers settle into the new shelter-in-place reality, their perception of advertising hasn't significantly changed. A Kantar study showed that **consumer responses to ads pre-crisis and during COVID-19 timeframes have stayed consistent.** Consumers are receptive to brand messages around efforts to combat the effects of the pandemic, but every message doesn't need to be wrapped in COVID-19.

MOBILE ACTIVITY ON THE RISE

According to App Annie, mobile activity has surged globally (+20% in Q1 YoY on Android devices) as consumers seek a distraction from COVID-19 realities.

- In the U.S., time spent on Android devices is up 10% in Q1 YoY.
- Consumers spent more than \$23.4 billion through app stores, the largest quarter ever in terms of consumer spend.
- More than 31 billion new app downloads represent an increase of 15% v. Q4.
- The games category is the largest driver of download growth on Google Play.
- Health and fitness (+40%), education (+35%) and business (+30%) are all growing v. Q4.
- iOS experienced similar use and app category growth.

- [MediaPost](#)

SOCIAL MEDIA PERFORMANCE SURGING

Wray Ward-managed campaigns across social networks are surging.

Clients who have maintained social media campaigns have experienced strong growth in terms of impressions and engagements during the past 20 days. **Pinterest has been one of our best performers** as audiences continue to seek and engage with visual, home-related content. With increased audiences and inventory, **CPCs are down, and engagement is up.**

The **increased inventory across platforms is likely due to retail brands pulling back spending.** As Amazon manages increased demand and critical supply prioritization, their advertising pullback across channels (social media, programmatic and paid search) is having a big impact on media costs, creating an opportunity for brands.

PROGRAMMATIC PRICING DOWN 10-20% GLOBALLY

According to Teads, a leading ad-tech vendor, **programmatic pricing is down an average of 10 to 20% globally**, CPVs (cost-per-view) are declining week-over-week, and performance campaigns are on the increase. Additionally, current buyers are more responsive to price than brand loyalty.

Pricing decreases are being seen across programmatic platforms due to the combination of increased inventory being driven by an abundance of COVID-19 content and retailers, like Amazon, pulling back spending as they focus on supply chain challenges.

PUBLISHER DIGITAL TRAFFIC SETTLING IN

Hearst reported big spikes in digital traffic in the periods leading up to March 19-26. This **traffic has somewhat leveled off in the past week** in terms of users and page views, while content consumption has shifted toward entertainment, with users up 27% and pageviews up 17% in that category.

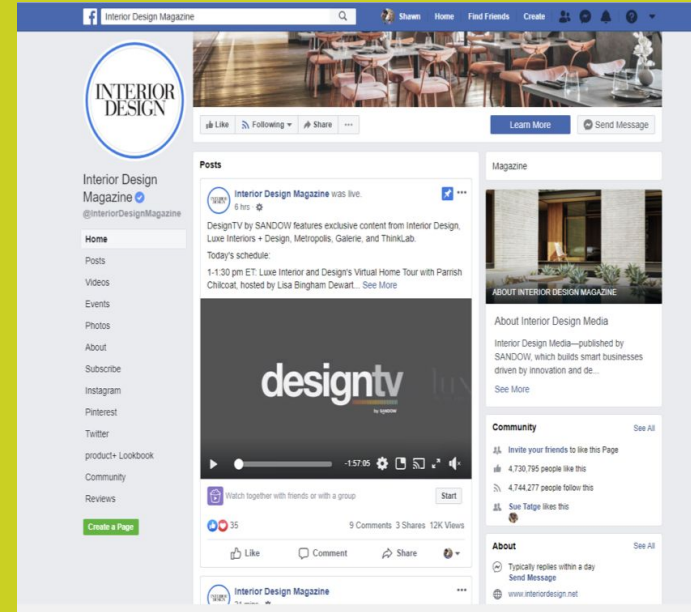
Hearst is also reporting that print subscription orders are up week-over-week from paid search (+20%) and social media (+35%).

Online sales across Hearst platforms continue to rise, with delays in fulfillment being the biggest challenge. Hearst's leading sales categories are digital equipment (tablets, laptops), home gym equipment, air purifiers, generators and humidifiers, and athleisure apparel.

SANDOW LAUNCHES DESIGNTV

On March 30, Sandow launched DesignTV, a new video offering hosted on Facebook Live. It is airing two hours of daily programming designed to engage the A&D community, four days per week.

Each of the Sandow Brands – Interior Design, Luxe Interiors & Design, Metropolis, Galerie & ThinkLab – will offer special programming unique to their design audiences.



SOUTHERN LIVING READERS CHERISH OUTDOOR LIVING

Southern Living conducted a predictive survey among 600 of their female readers to understand how their priorities and behaviors will change over the course of social distancing and sheltering-in-place. **Backyard, patio and porch were the top three spaces in her home she now most appreciates.** Further, 48% said they plan to update or create a new outdoor living space, providing an opportunity for brands in this category to share inspiring visual content through digital and social channels and drive sales if supply chains are working.

CONSUMERS' AD RESPONSE REMAINS CONSISTENT

Through March 26, Kantar tested 10 TV and digital ads that were also evaluated prior to the crisis, and 95% of consumer responses were unchanged from the previous testing.

Key takeaways:

- **Content doesn't need to specifically reference coronavirus**, as people are all too aware of the situation. At the same time, it shouldn't exploit it.
- **People don't seem to be sensitive to seeing scenes that show banned or restricted behaviors.**
- The use of appropriate humor seems to be acceptable. However, testing is recommended to avoid any possible backlash.

BRAND TRENDS

Brands continue to find new ways to manage the pandemic.

Textiles and home furnishings companies are using their manufacturing capabilities to step up production of PPE for healthcare workers. **Marketers continue to consider all options**, including shifting spend to later in the year in order to manage supply chain and retail challenges.

Food service brands are being especially creative in testing new messaging, selling propositions and brand building tactics from delivery to new packaging roll-outs, and from “no-hands” policies to completely new “deliver-raw-ingredients” experiments.

TEXTILE COMPANIES PIVOT FROM FASHION TO MASKS

Textile manufacturers around the world are shifting gears from fashion to manufacturing PPE for healthcare workers.

- **Glen Raven began production of masks in a matter of days** as part of an industry initiative calling on participating companies to produce at least 10,000 masks per week. In addition to Sunbrella, Glen Raven manufactures technical fabrics, including military and protective wear, so it was in position to quickly pivot to mask production.
- Ralph Lauren corporate foundation committed to producing 250,000 masks and 25,000 isolation gowns.
- Japanese garment manufacturer Atsumi Fashion Co is **pivoting from making women's bras to instead making face masks.**

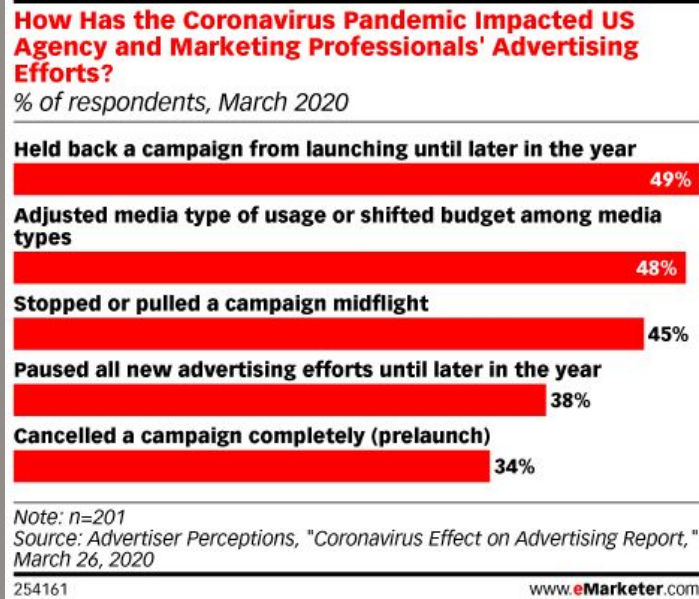
HOME FURNISHING SECTOR SHIFTS TO PPE PRODUCTION

Home furnishing brands are shifting to production of PPE for healthcare workers.

- Klaussner Home Furnishings has dedicated a portion of their production to support the immediate need for critical medical supplies from masks to providing materials to hospital bedding suppliers.
- Kindel Furniture's Michigan factory was shut down due to a statewide order, so the company started production on surgical masks.
- Kravet Inc. and outdoor furniture manufacturer Northcape are helping Cape Regional Health System through the production of masks, fabric and gowns.
- Baker Interiors groups is using its resources to make masks and hospital gowns to help fill the North Carolina need.

ADVERTISERS SHIFTING CAMPAIGN TIMING

In the eMarketer report Advertiser Perceptions, “Coronavirus Effect on Advertising Report,” released on March 26, **49% of respondents reported holding back a campaign from launching until later in the year.**



BURGER CHAINS RELEASE DIY BURGERS

Shake Shack debuts make-at-home burger kits this week for customers craving a hamburger fix. Burger King provides Whopper instructions.

The Shake Shack kit features eight burgers and costs \$49. The kit includes eight Shake Shack-style patties, eight GMO-free potato rolls, American cheese, and four ounces of the company's proprietary "ShackSauce." Kits include "secret" cooking tips to ensure an authentic taste. Toppings are not included.

No word yet on the fries or shakes.

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 market, media and brand trends as this crisis unfolds.

EXTERNAL SOURCES CONSULTED

- U.S. Department of Labor
- The Conference Board
- National Association of Home Builders
- National Kitchen and Bath Association
- Realtor.com
- MarketWatch
- Home Improvement Research Institute
- Principia Consulting
- AIA
- U.S. Bureau of Labor Statistics
- Attentive
- Pioneer IQ
- Construction Dive
- App Annie
- MediaPost
- Pinterest
- Google
- Sandow
- Kantar
- Teads
- Hearst
- eMarketer

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