



# The IAB Re-entry Report: The Post-COVID Brand Meets the Post-COVID Consumer

IAB Brand Council Town Hall  
May 26, 2020

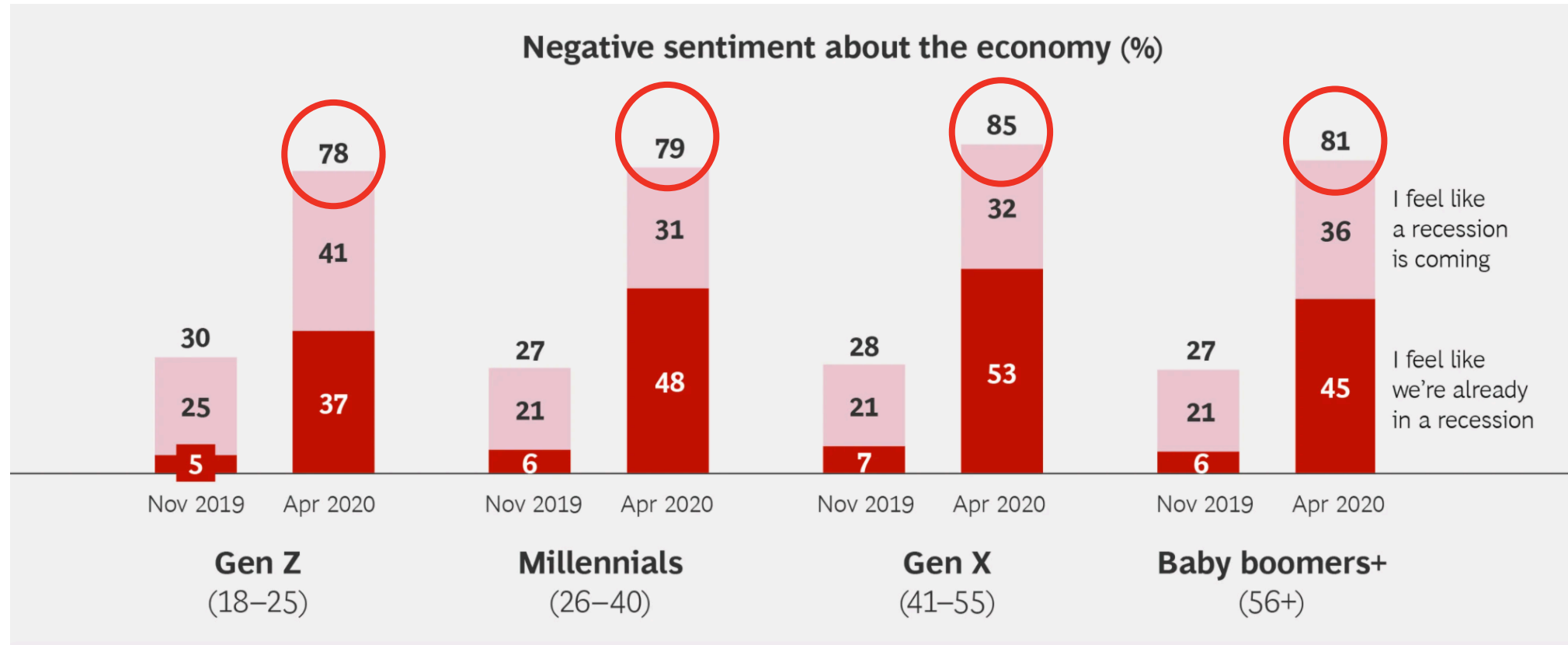
# Key Themes

1. A big reset is occurring: 25-33% of all consumers intend to reduce major out-of-home activities after the Coronavirus crisis ends. U.S. consumers are planning to cocoon their way through a deep recession – and beyond.
2. The spike in digital shopping is driving consumer trial of new brands – and many will stick with the new brands they're trying.
3. More and more stores will shift from shopping centers to contactless pickup centers.
4. Digital stores are becoming multi-activity centers, accelerating the adoption of A/R, V/R, and other virtual shopping tools, concierge services, learning, and entertainment functions.
5. Media consumption – particularly video and music – will permanently and significantly increase; AVOD and linear are *both* benefitting; but many sports viewers may drift away permanently.
6. Geo-location and content differentiation will become a permanent part of brands' media planning.

# 1. The Big Reset

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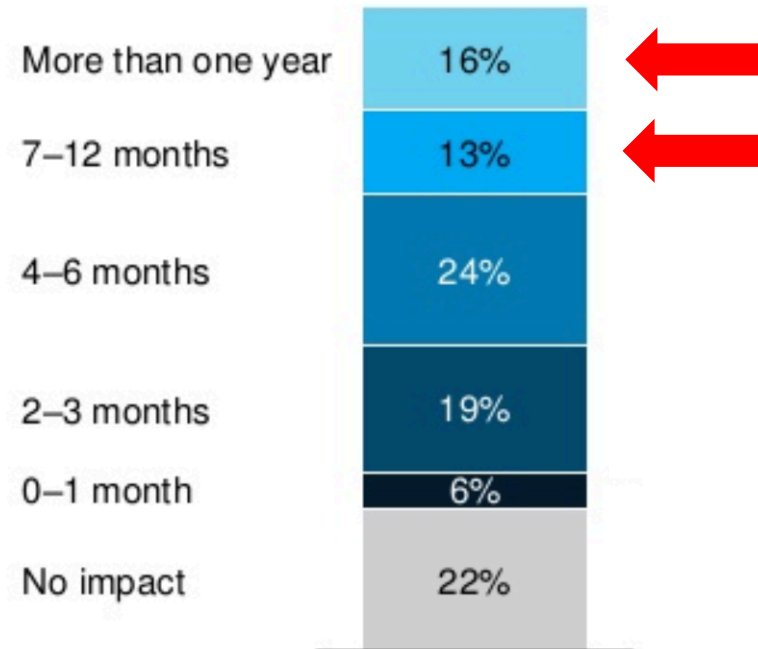
# Currently ~80% of U.S. consumers believe the country will enter a long-term recession



# ~30% of Americans believe their finances will be affected by Covid-19 at least through the end of 2020

Q2 GDP is being projected to fall 12%, while unemployment could remain double digits into 2021—a level never reached during the 2008-2009 financial crisis.

Impact on personal/household finances<sup>2</sup>  
% of respondents



When will you expect to return to normal in the US (e.g., government lifts restrictions on events/travel)? Figures may not

may not sum to 100% because of rounding.

n = 1,052, sampled and weighted to match US general population 18+ years

McKinsey & Company 8

# Through the next 6 months, consumers will cocoon, spending on in-home items, vs. out-of-home, fashion, luxury

## Expected Spending Decreases

April 2020: Top categories where consumers expect to *decrease spending*

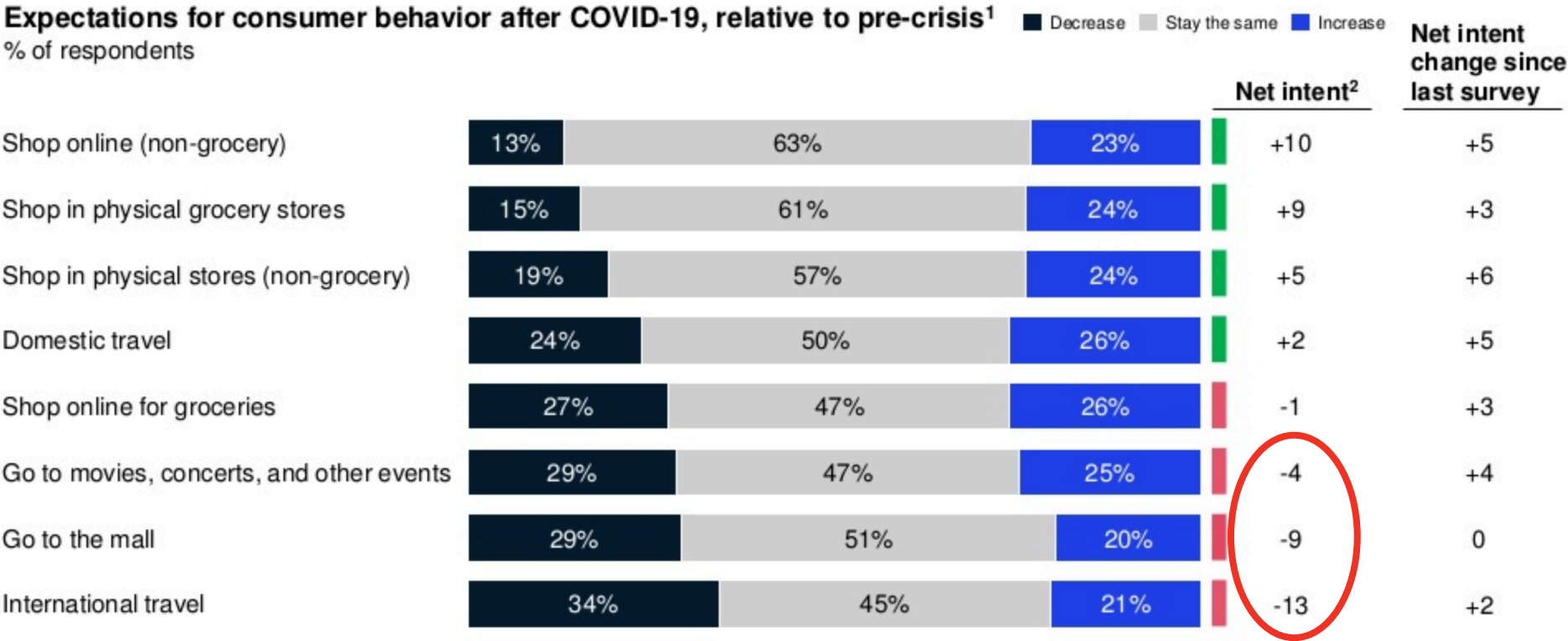
	Planning to decrease (%)	
<b>1. Travel</b>	<b>62</b>	Public transportation and out-of-home entertainment show up on the 2020 list, likely due to COVID-19
2. Public transportation	54	
3. Out-of-home entertainment	53	
<b>4. Handbags and fashion jewelry/accessories</b>	<b>52</b>	
<b>5. Gambling</b>	<b>51</b>	
6. Women's clothing	50	
<b>7. Luxury brands and products</b>	<b>50</b>	
<b>8. Home furnishings and décor</b>	<b>43</b>	
9. Shoes/footwear	43	
10. Outerwear/jackets/coats	43	

## Expected Spending Increases

April 2020: Top categories where consumers expect to *increase spending*

	Planning to increase (%)
<b>1. Ordering pickup or delivery from restaurants</b>	<b>35</b>
<b>2. Packaged, frozen, or canned food and beverages<sup>1</sup></b>	<b>32</b>
3. Savings	30
<b>4. Fresh foods<sup>1</sup></b>	<b>29</b>
5. In-home entertainment	28
<b>6. Household care products<sup>1</sup></b>	<b>26</b>
<b>7. Utilities</b>	<b>22</b>
8. Vitamins, minerals, herbs, or supplements	21
9. Preventive health care/diagnostics/testing	21
<b>10. Baby/children's food</b>	<b>19</b>

# Post-COVID, 1/5 to 1/3 of consumers won't return to "meat-space"



<sup>1</sup> Q: Once the coronavirus (COVID-19) situation has subsided, which of the following do you think you will do more or less compared to before the coronavirus (COVID-19) situation started? Possible answers: "will reduce this"; "will do the same as before coronavirus"; "will increase this." Excludes work-from-home category.

<sup>2</sup> Net intent is calculated by subtracting the % of respondents stating they expect to decrease time spent from the % of respondents stating to increase time spent.

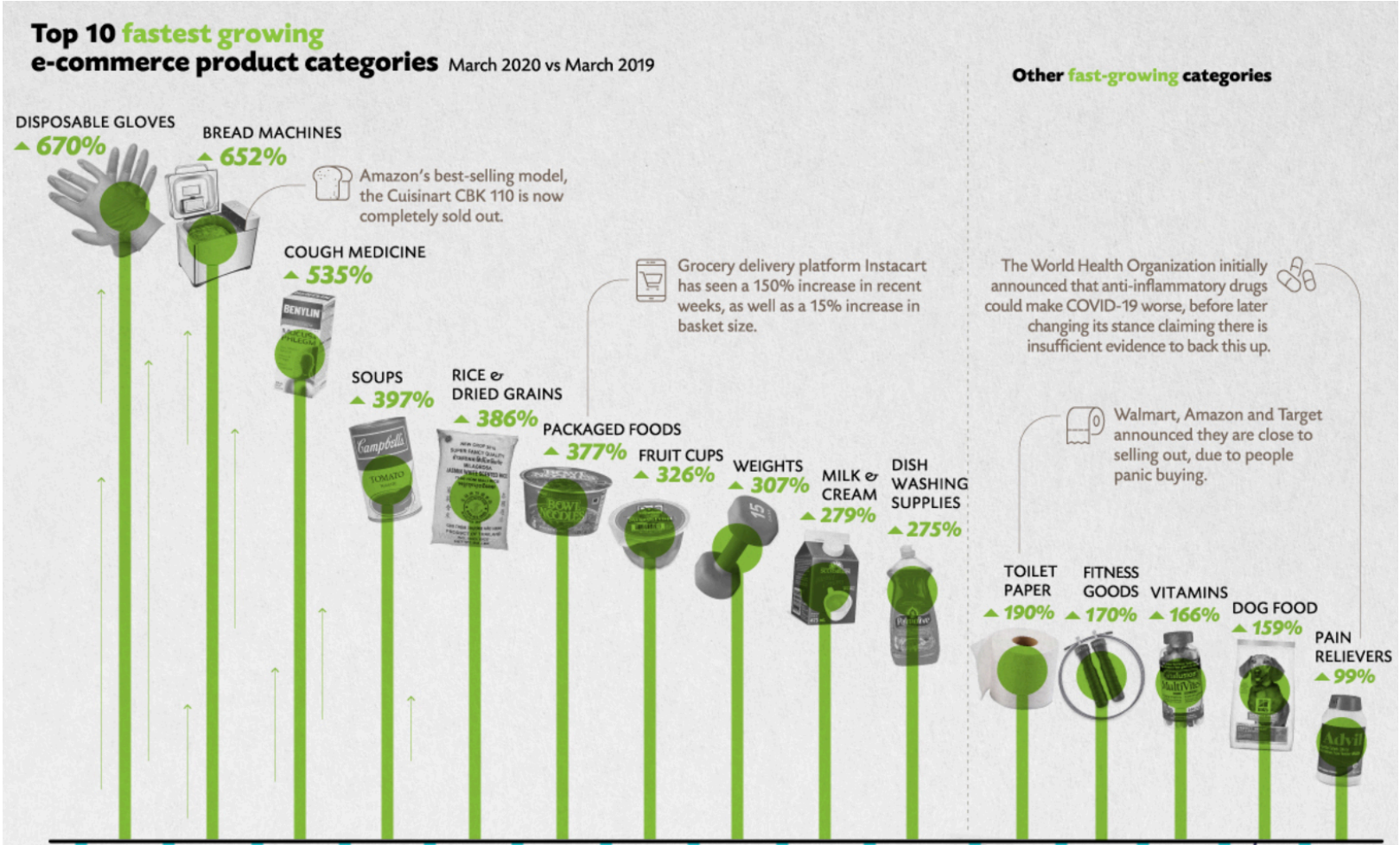
Source: McKinsey & Company COVID-19 US Consumer Pulse Survey 4/20-4/26/2020, n = 1,052; 4/13-4/19/2020, n = 1,052, sampled and weighted to match US general population 18+ years

# 2. D2C-driven Competitiveness

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# Online shopping is accelerating, being driven by pantry staples, health, wellness products

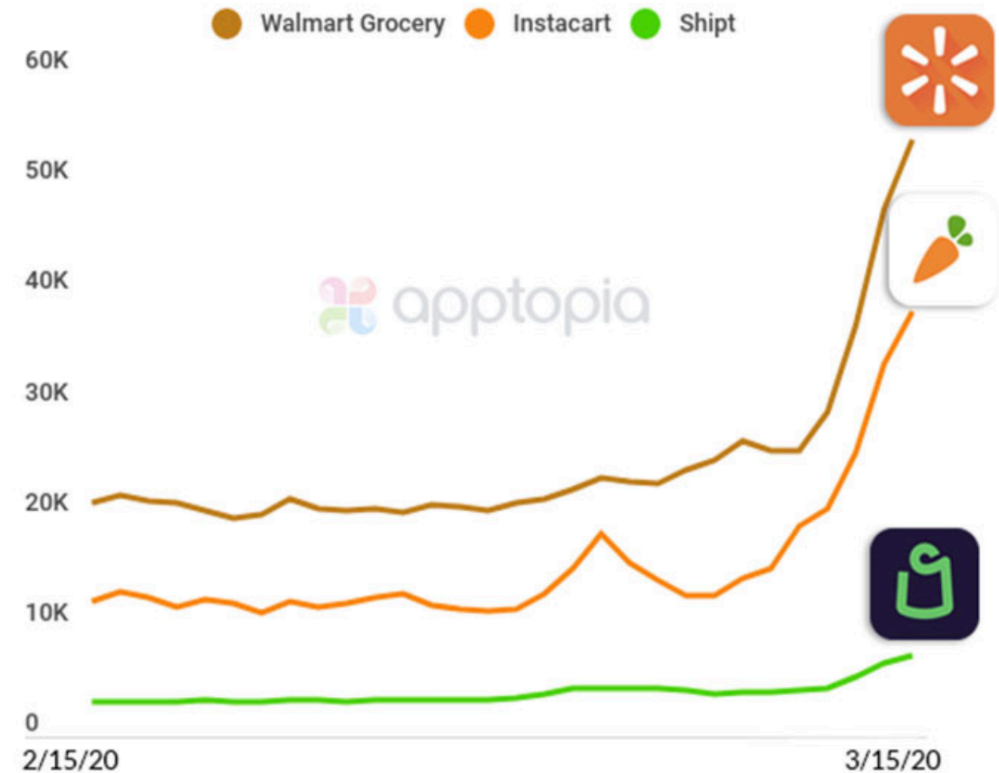


U.S. E-commerce spending is up more than 30% from the beginning of March through mid-April compared with the same period last year

# 17 million incremental households expected to permanently shop for food online

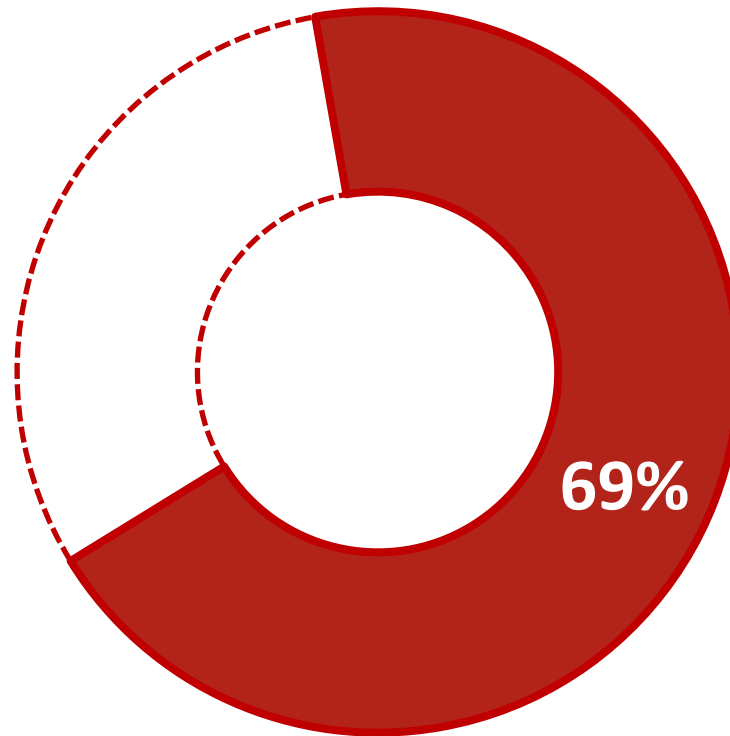
31% of U.S. households ordered food online in recent months, 43% say they will or are extremely likely to continue digital shopping after the pandemic subsides

Daily downloads of grocery delivery apps, U.S.



# Online shopping drives new brand trial: 7 in 10 consumers trying new brands now...

## % of Consumers Trying New Brands During the Coronavirus Crisis



Includes new brands across a myriad of categories: e.g., packaged goods, food brands, media sources and delivery services, etc.

...And many plan to stick with the new brands they've tried

**30-45%**

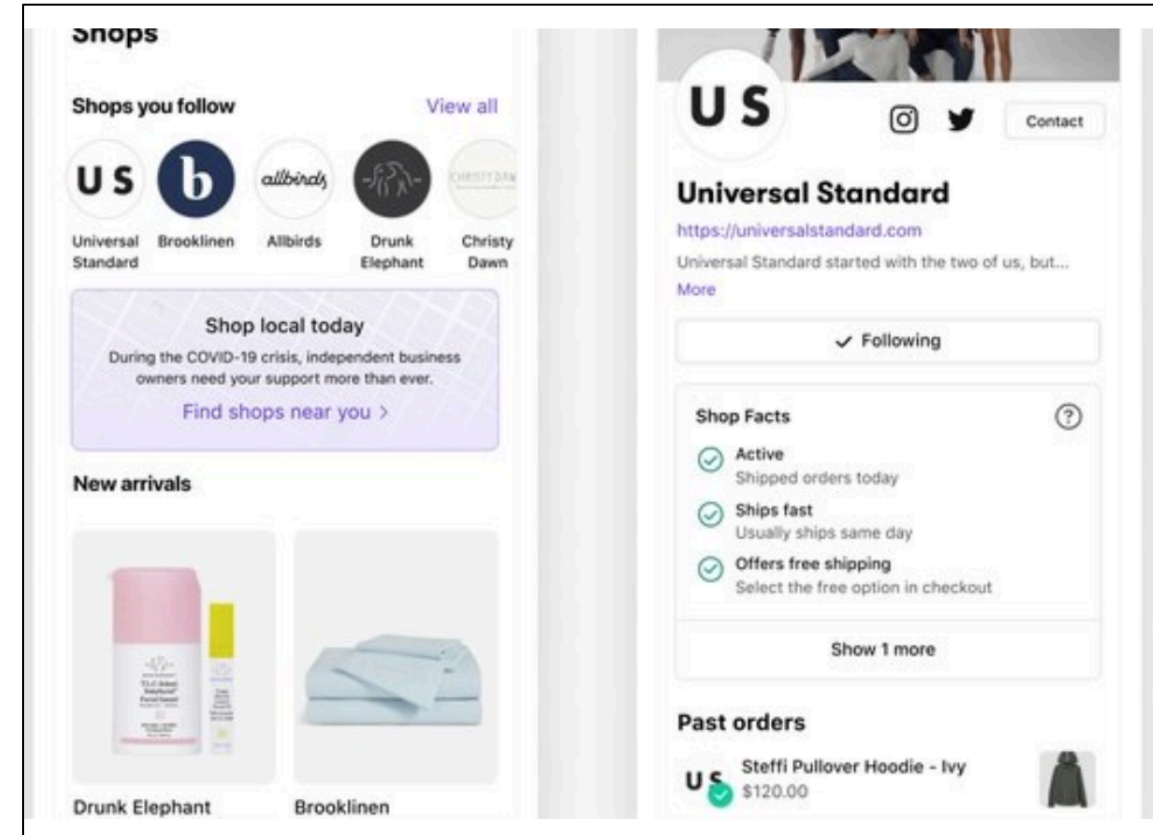
of consumers who have tried a new  
**NATIONAL BRAND**  
during the pandemic say they will be  
willing to stick with it

**25-30%**

of consumers who have tried a new  
**PRIVATE LABEL BRAND**  
during the pandemic say they will be  
willing to stick with it

# D2C backbone Shopify is adding a consumer-facing app, driving further new-brand trial

Shopify's new mobile shopping app "Shop", enables product discovery, real-time delivery updates, personalized recommendations and search filters pointing users to local businesses



# Big brands like Kraft-Heinz are accelerating & institutionalizing their D2C activities

Starting in the UK, Kraft-Heinz is packaging traditional store staple items (e.g., beans, spaghetti, condiments, etc.) for home delivery

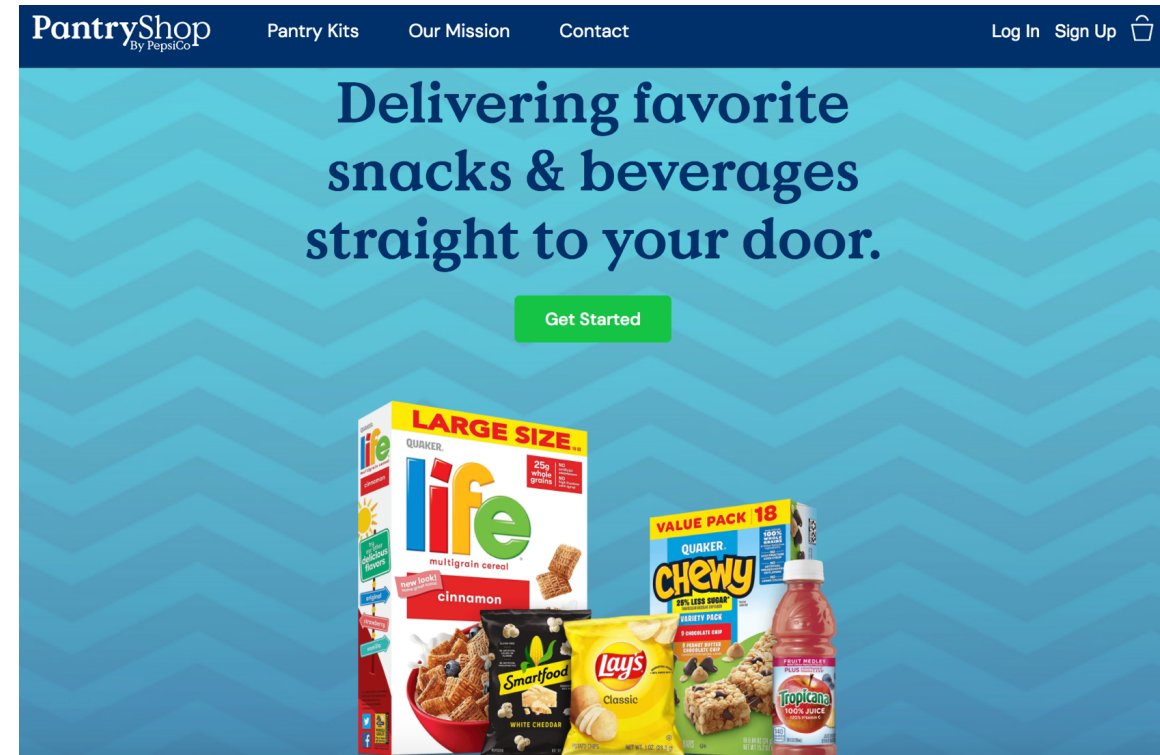
With paid media growing 30%, Kraft-Heinz is redirecting B2B investments, such as selling and marketing to restaurants, to D2C marketing



# Global brands like Pepsi are creating new D2C frontage to “own” consumer relationships

PepsiCo has launched PantryShop.com and Snacks.com which offers consumers the ability to shop online for delivery of the top PepsiCo and Frito-Lay Brands

The sites also includes a product curation element that recommends additional products to consumers spending more time at home



# Big retailers like Target are hastening their acquisition of home-delivery expertise

Target acquired Deliv to leverage its proprietary delivery capabilities in a move to bolster its delivery offerings and combat Amazon





# **3. The Old Store Is No More**

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# Cash is King Dead: 87% of in-store shoppers now prefer contactless or self-checkout options

More more than two-thirds of consumers are now using self-checkout, touchless self-checkout or frictionless micro-markets to pay for groceries



# New forms of retail partnership – like Michael's & UPS – will further contactless shopping

800 Michaels stores, along with CVS and Advance Auto Parts, are participating in UPS' MyAccess program which helps customers and store associates send and receive items while maintaining social distancing



# Walmart expands its contactless options for in-store shopping

By scanning a QR code that is synced with the Walmart Pay app, in-store shoppers can make contactless purchases; previously, shoppers had to select a payment method by touching a screen at self-checkout

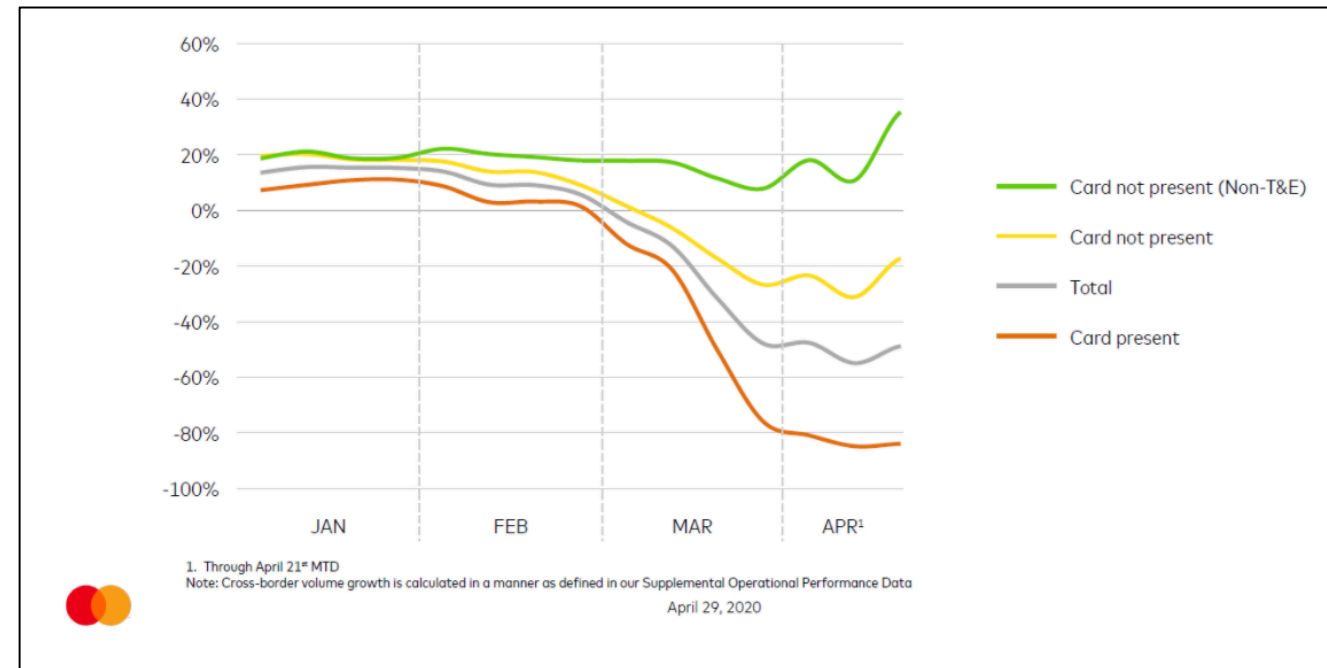


# U.S. may catch up with the global adoption of contactless payments

People thinking of cash as “unclean” could accelerate US adoption of mobile payments which lags compared to global adoption rates—U.S. 10% vs. China 80%

Visa’s reporting a 150% increase while Mastercard a 40% increase in contactless payments YoY

**Mastercard**  
**% Change Transaction Volume**  
**by Card Presence**



# BOPIS – Buy Online, Pick-Up in Store – Is Now the New Normal

The number of orders placed online and picked up at stores by customers surged 208% between April 1 and April 20 vs. YoY, per Adobe Analytics.



# As offline retail re-opens, new categories of stores are entering the BOPIS space

Along with Gap Inc., which plans to open 800 stores in May, retailers from Apple, Urban Outfitters and REI to Tiffany, Bloomingdales and Nordstrom are offering curbside pickup options for consumers



# Expect major retail brands to spend 2020 budgets boosting BOPIS

Starting with 30 locations that offer order pickup instead of seating, Starbucks aims to open 90% of company-owned stores by June

Its marketing will include TV, digital, paid social and owned media





# 4. Virtual Shopping Gets Real

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# Retail-media partnerships – like Kohl’s + Snapchat - are taking virtual closets out of the closet

The AR-powered, “virtual closet” app enables Snapchatters to browse clothes from home (including athleisure designed to wear while WFH) and ultimately make purchases without leaving Snapchat



# Retailers like West Elm are introducing both digital tools and personal services to habituate online shopping

West Elm's new "Room Planner" is an interactive desktop tool designed to simplify the process of furnishing and decorating a room, including carve out a work-from-home space

Virtual Design Consultations allows consumers and design professionals to meet online to work on transforming a space



## DESIGN CREW

### ROOM PLANNER

Our all new interactive desktop tool makes it easy to furnish and decorate every room in the house.

We recommend using Google Chrome for the best experience.

[DESIGN FREE ONLINE](#)

# Post-COVID, more virtual stores will become entertainment centers

Apparel maker Shapermint streams live yoga practices, meditations and home exercises and sessions on childcare while working from home

The brand also introduced a selection of shapewear and loungewear to wear at home on the website's home page. The result? An increase in bra and leggings sales



# Nike's pivot to e-commerce in China leaned hard on personal digital interaction as a re-entry road map

While 70% of its stores in China closed, Nike engaged with Chinese consumers digitally by offering at-home workouts and ultimately reported 35% growth in online sales YoY in greater China YoY between December and February

As stores began to reopen, Nike's digital business accelerated even more, approaching triple-digit growth levels



# 5. The New Media Moment

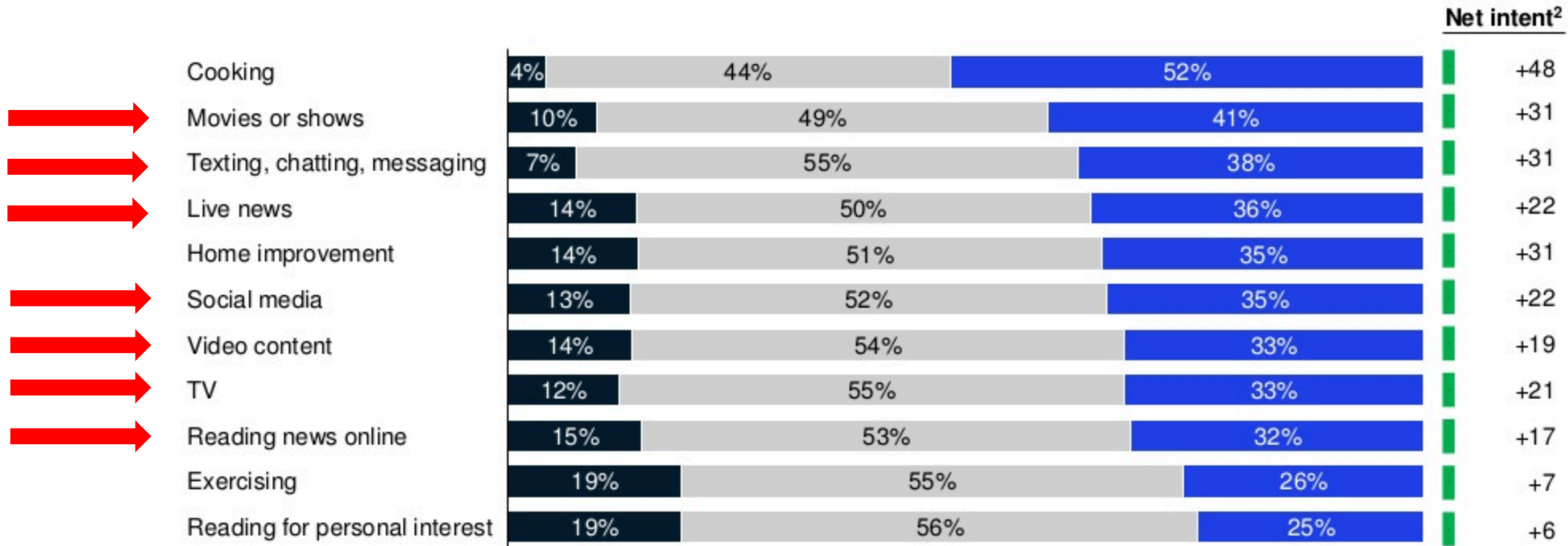
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# Consumers are devoting more time to media

## Expected change to time allocation over the next two weeks<sup>1</sup>

% of respondents

■ Decrease ■ Stay the same ■ Increase



<sup>1</sup> Q: Over the next two weeks, how much time do you expect to spend on these activities compared to how much time you normally spend on them? Figures may not sum to 100% because of rounding.

<sup>2</sup> Net intent is calculated by subtracting the % of respondents stating they expect to decrease time spent from the % of respondents stating they expect to increase time spent.

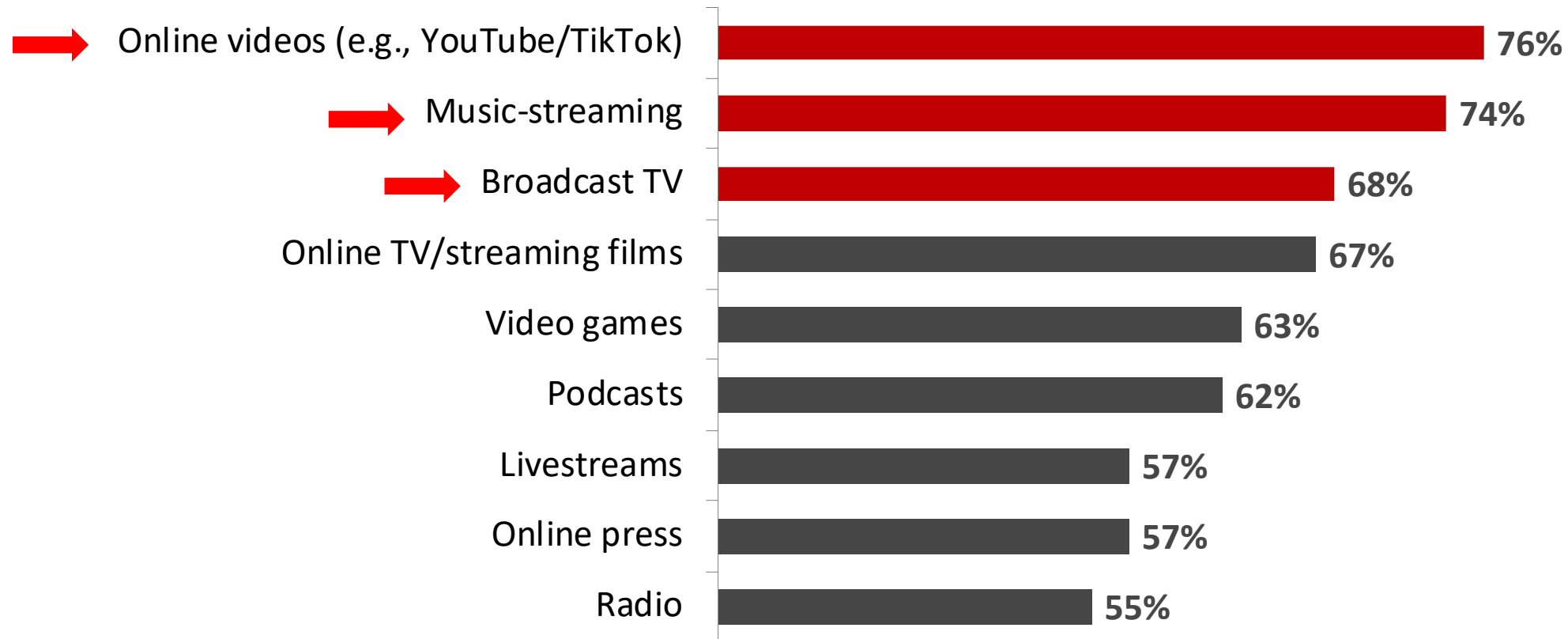
Source: McKinsey & Company COVID-19 US Consumer Pulse Survey 4/20-4/26/2020, n = 1,052, sampled and weighted to match US general population 18+ years

McKinsey & Company 6

# Post-COVID, consumers intend to continue high video & audio consumption

Online videos are likely to have the greatest staying power after the outbreak ends

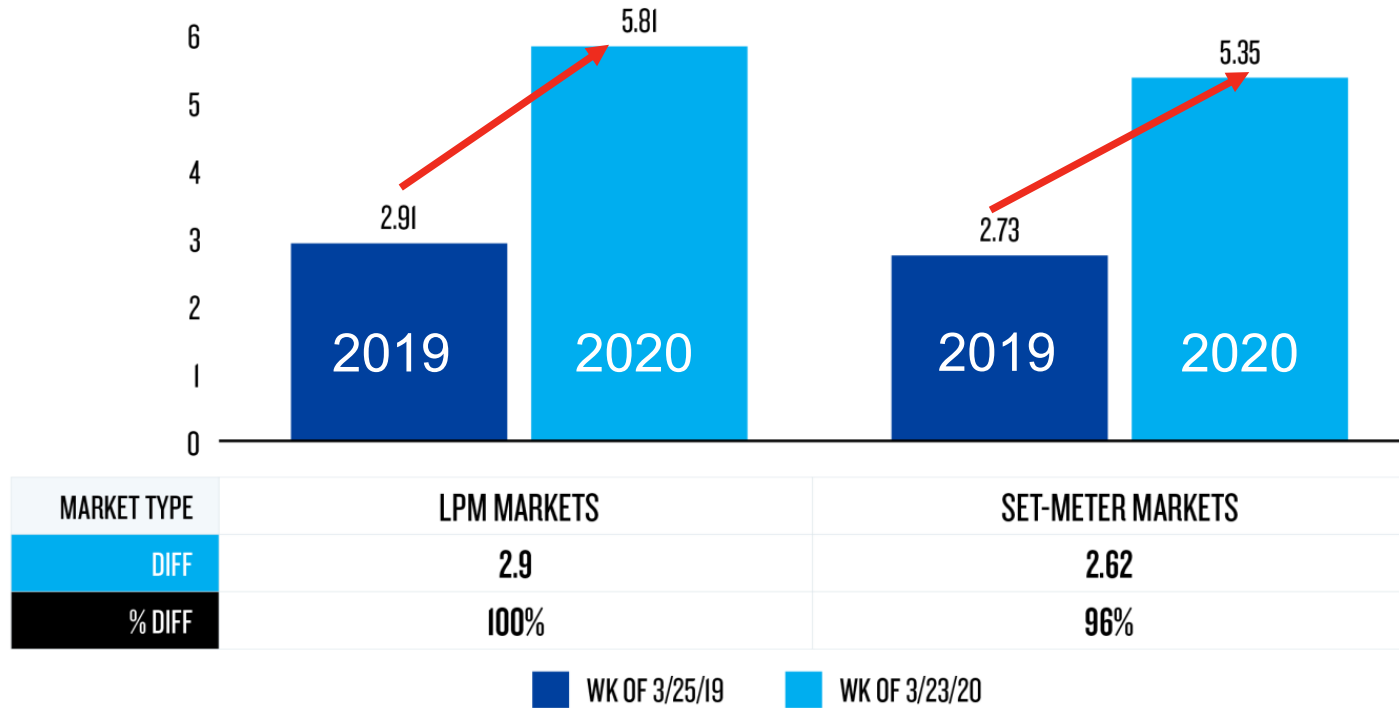
% Who Say They're Currently Consuming More,  
And Plan to Continue Doing So After the Outbreak





# Video streaming on connected devices has increased ~100% YoY

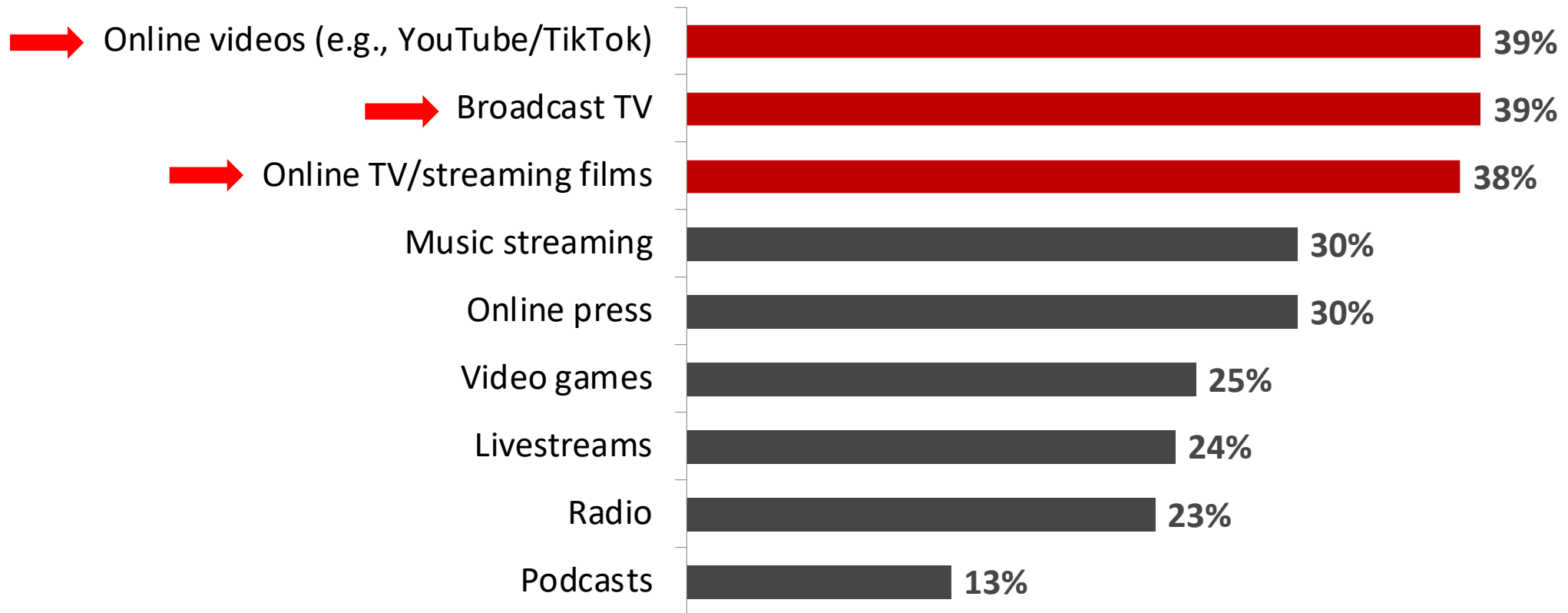
## Average Time Spent Streaming YoY in Key U.S. Markets (Hours)



Source: Live+SD, M-Su 4a-1a Weighted Average across 25 LPM +PPM markets, 19 SM+PPM+NPM and 12 SM+RPD+NPM markets. (Data provided is exclusive to People Meter and Set-Meter homes. Data represents full DMA coverage.) Internet Connected Device Usage (any non-linear video from a connected device or enabled Smart TV)

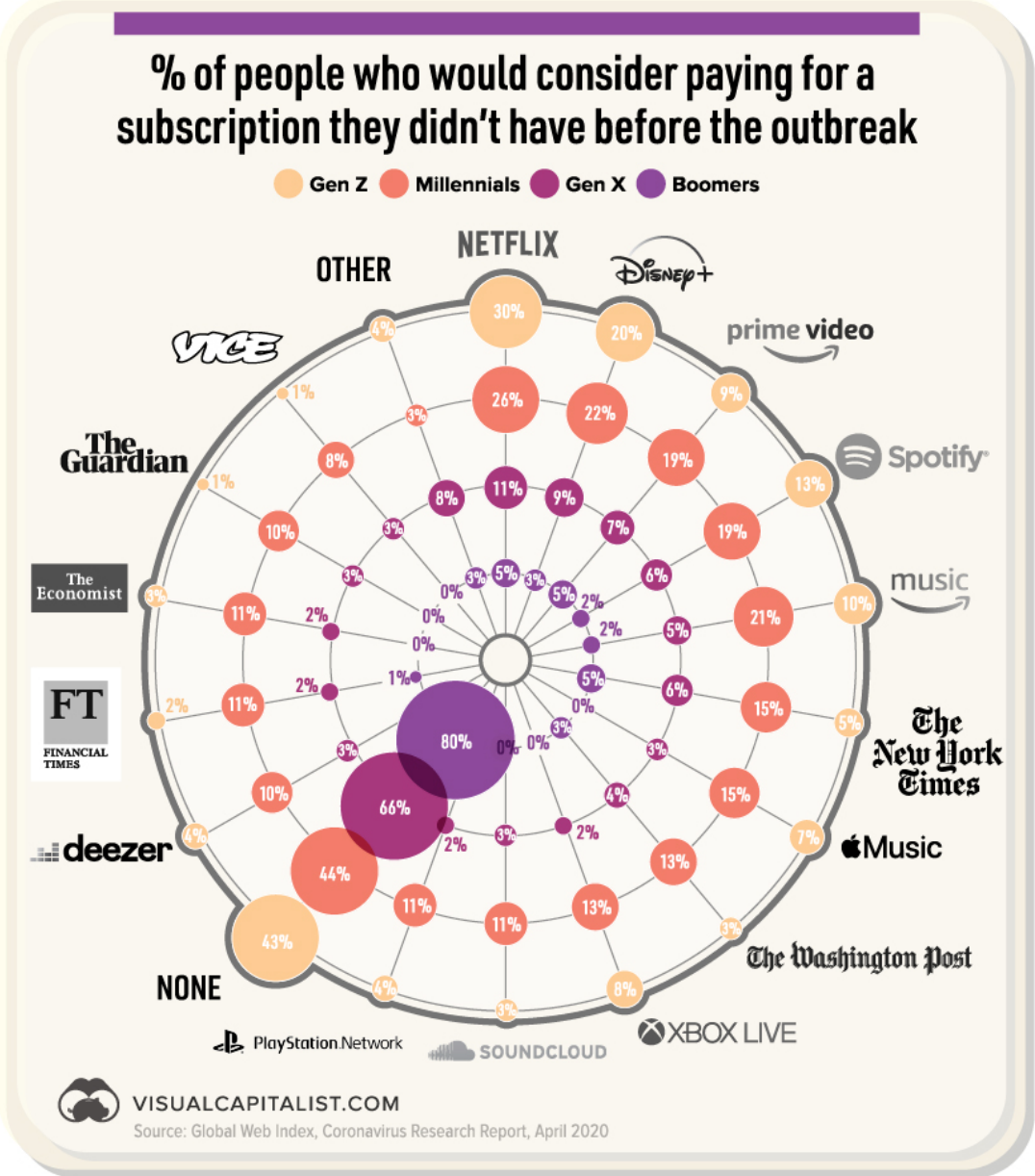
# Passive video consumption is the biggest beneficiary, up 25%+ vs. media formats

## % Who Say They've Started Consuming/Are Consuming More Since the Outbreak



# Media dependence on ads declining; subscriptions up across generations & genres

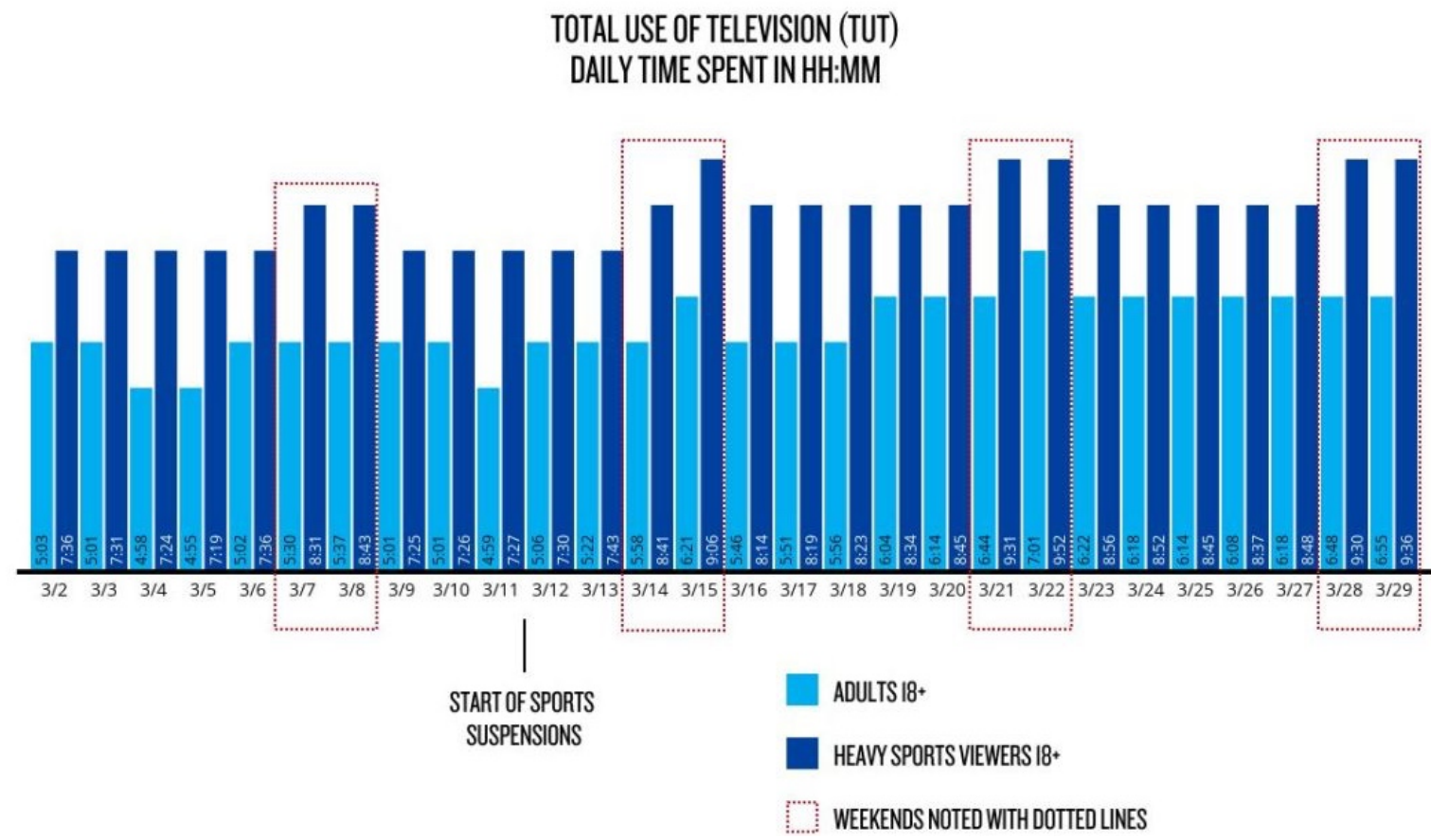
“...people are more inclined to invest in new subscription services since they have been in isolation, with almost one-third of Gen Z’ers considering purchasing Netflix, followed by Disney+.”  
 –VisualCapitalist.com



# Heavy sports viewers may not return from the new digital realms they're exploring...

## DAILY TIME SPENT FOR TOTAL USE OF TELEVISION

Hours:Minutes

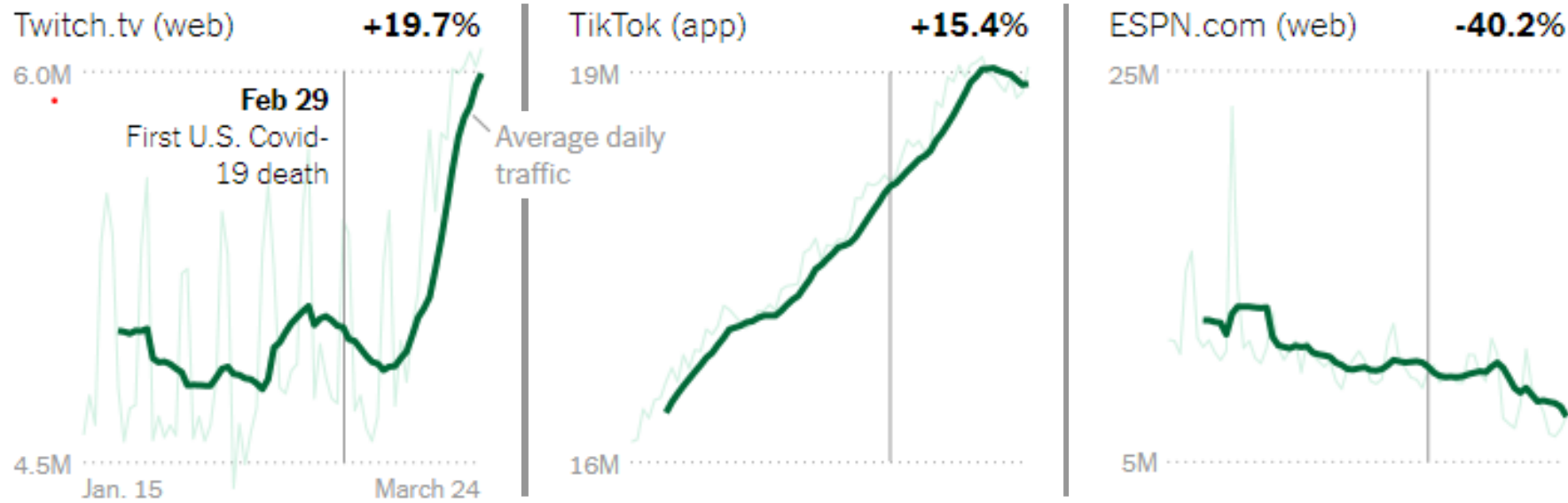


Source: [Nielsen, April 2020](#)

\*Total Use of Television (TUT) is inclusive of Live+Time-shifted TV, DVD, Video Game Consoles and Internet Connected Devices

...And particularly to gaming and social video apps

## Video games have been gaining while sports have lost out



Percent change is from the average on Jan. 21 to the average on March 24. One user can have multiple sessions in a day. - Sources: SimilarWeb, Apptopia

# “Working media” will reap significant investment from big brand CPG and F&B brands

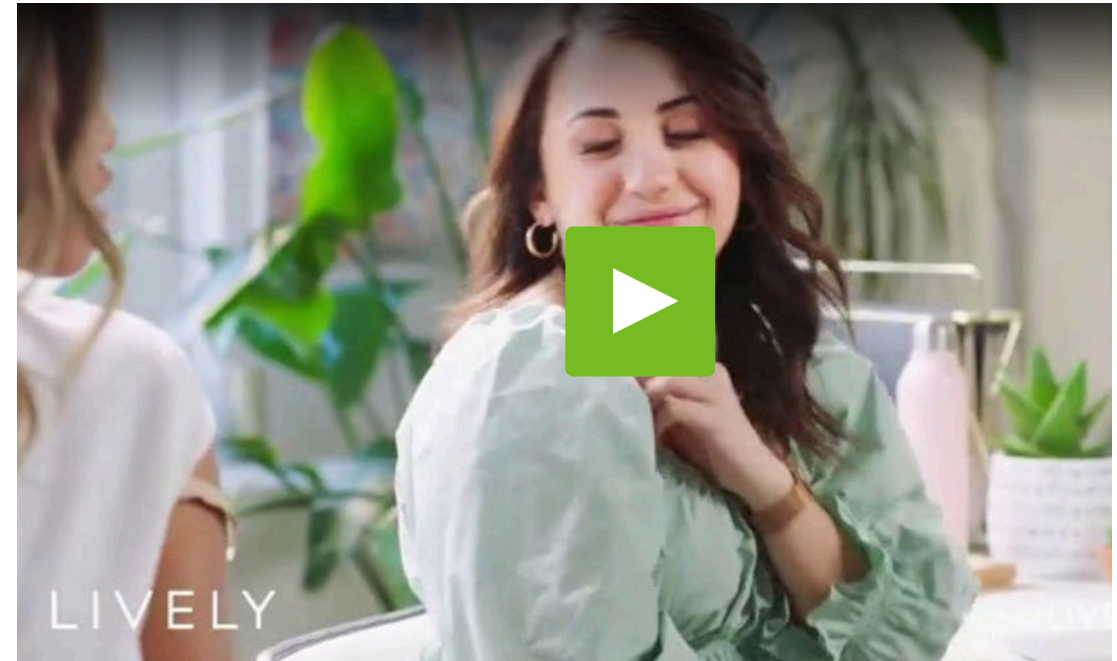
While Mondelez shaves operating costs, trims SKUs and pauses new products, it’s realigning marketing budgets and shifting investment to “working media” as product usage is up and new consumers adopt their brands



# Low CPMs look likely to drive many new brands to linear TV and AVOD

With cost-per-view TV rates dramatically reduced, Lively scrapped its spring swimwear marketing plan and began **promoting clothing for women to wear all day at home**

The business went from flatlining to triple digit comps in the space of three weeks



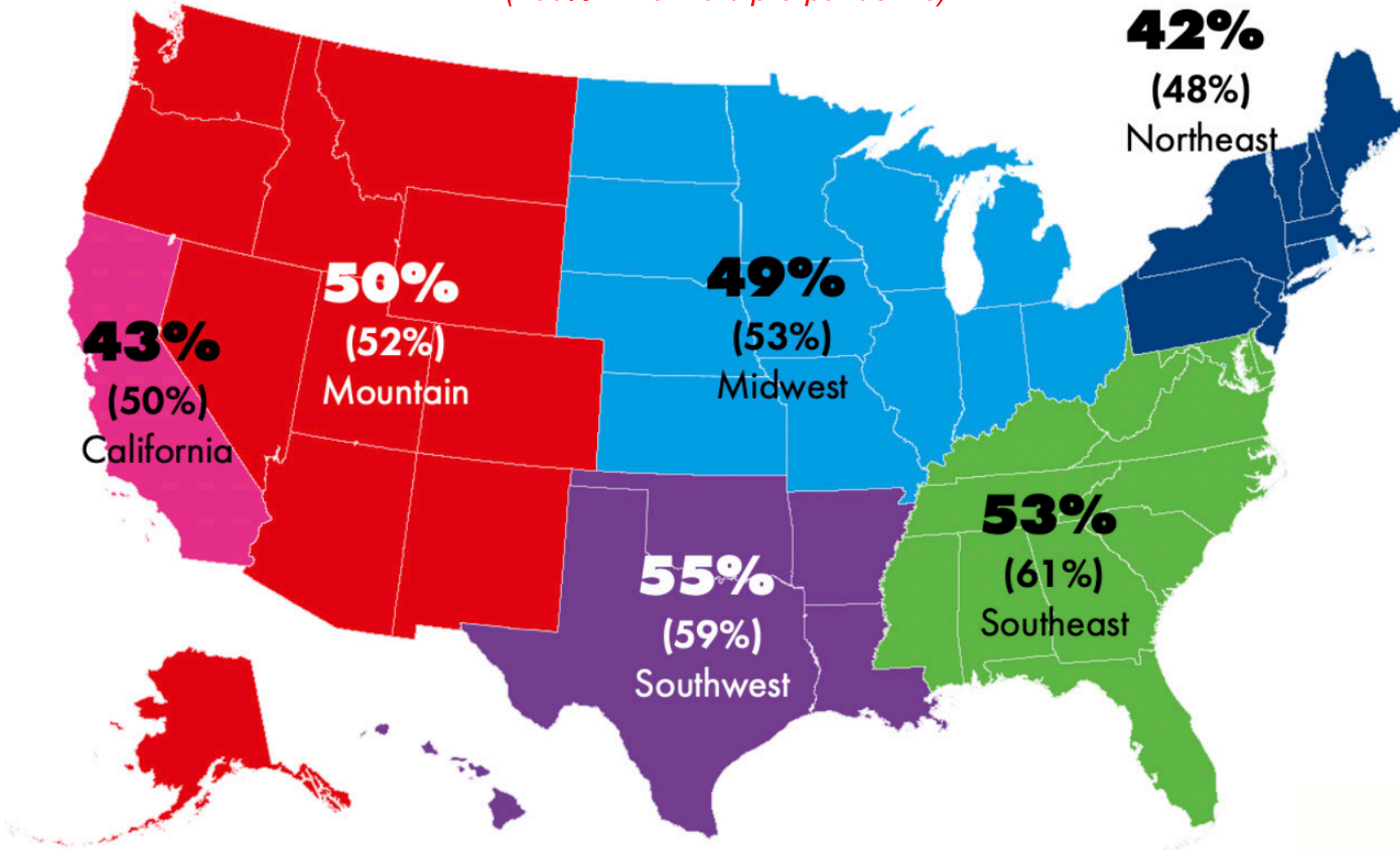
# 6. Post-COVID Branding Requires Targeting

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# One national, divisible: we're emerging differently in different places

(100% = Normal / pre-pandemic)



## Top Drivers

- Confidence in the economy
- Ability to shop for necessary items
- Ability to make future plans
- Ability to go about routine OOH

# Geo-differentiation will require...



Different state  
re-open plans



Counties/ Cities will have  
their own plans



Red zones and  
green zones

# ... Geo-targeting, even at the brand level



**Geo Targeting**



**Geo Fencing**



**Geo-Time Fencing**

IP based

Lat Lon

Country,  
State, City

DMA

Zip

Time  
Zone

# Content differentiation also will become a new requirement



**Dynamic Content  
Campaigns- 100s of  
variations**



**Content  
Optimization**



**A/B testing of  
message  
differences**