



Update: DRTV Effectiveness & Trends During the CV-19 Shutdown Period for Vertical Marketing Categories

By Rick Feldman, Vice President Marketing & Strategy

rfeldman@im.agency

June 8, 2020

Overview

With the U.S. now almost three months into the Coronavirus-mandated, national shutdown, restrictions on many businesses have begun to ease. However, regulations are being instituted on a state-by-state basis, meaning that they vary widely, depending on the pandemic's lingering impact and local attitudes toward re-opening.

Currently, most states have allowed only specific types of business to re-open, and these must deal with significant regulatory guidelines, as local governments try to figure out a balance between spurring their economies while simultaneously preventing another outbreak in their area.

For many advertisers, the key question is whether the media consumption habits and buying behavior that have come into play the last few months will continue as is, or more-likely, how they will evolve as the dynamics of everyday life continue to shift.

While local regulations will certainly play a role in consumer behavior, recent polling and analysis indicate that a large segment of the population will continue with their current shutdown lifestyle protocols for the time being, regardless of which specific restrictions are lifted or eased in their area.

So, while traditional retail advertising will surely continue to be the most strongly affected category, DRTV advertisers will also need to regularly analyze and reassess market conditions – and their campaign results – to anticipate consumer demand for their products or services, and then project whether their DRTV campaigns can deliver a positive return.

Updated Topics & Findings

The initial version of this analysis, which came out around a month ago, looked at trends and results from the first six weeks of the national shutdown. At that point, it was clear that the lifestyles of most U.S. consumers had undergone significant changes as a result of the pandemic and shutdown and, not surprisingly, many people's media consumption habits and demand for specific products and services had evolved as well.

With most people stuck at home, audience research data consistently showed that television viewing during the shutdown period had increased in general across the board, for basically all dayparts and most demographic groups.

Clearly, some of this new audience has come over from radio, as drive time numbers have dropped for many formats since only a fraction of people are now commuting to their jobs. A number of our clients have shifted their budgets from radio to DRTV, with strong results in most cases.

Additionally, OTT (Over-the Top) has emerged as a viable option for many our DRTV advertisers, as an adjunct to their base broadcast and cable schedules. Not surprisingly, demand for these services, who generally offer specialized content streamed via an Internet connection, have seen their numbers surge over the past few months, as people are constantly searching for new programming options to pass the additional hours stuck at home.

While the most-recent audience studies continue to support the initial trends, the situation has entered a new phase, and DRTV marketers will need to remain on top of it if they are to run revenue-generating campaigns.

Encouragingly, some DRTV advertisers who had initially decided to pause their campaigns have now come back on-air in late-May/early-June. While it's still too soon to know definitively how these will translate into revenue, the early call and lead results appear promising.

From a media delivery standpoint, these campaigns have been significantly enhanced via a combination of lower media rates and/or additional bonus weight that we are able to negotiate at this point in time.

Those DRTV advertisers who have taken advantage of current inventory conditions have been able to put their message in front of audience segments not previously affordable, and many have seen their revenues climb as a result.

So, while some new Vertical categories have begun to show promise, others continue to struggle. However, many of those that have stayed on-air throughout have continued to perform as well or, in some cases, even better than prior to the start of the pandemic.

In the analysis that follows, we will look at the various Vertical advertising categories and detail the most-recent results and findings from our clients' campaigns.

Vertical Categories

In vertical marketing, products and services are classified as falling only within a specific industry – or “Vertical” – as opposed to horizontally, where the appeal encompasses multiple industries.

So, a Vertical is a well-defined industry that's made up of companies that market similar goods and generally operate competitively, while horizontal marketing is targeted to impact a specific consumer segment that ranges across multiple business categories.

Since vertical categories cover the spectrum of products and services, the effects of the pandemic and shutdown on consumer behavior has varied widely, depending on what they offer.

For example, many Verticals that involve leaving one's home for extended or multiple trips – like Travel and elective medical procedures -- initially saw demand drop precipitously, especially if they offered products or services that were classified as non-essential.

But the inverse has been true as well, as restrictive conditions triggered lifestyle changes previously not considered.

As a result, the offerings of some Vertical categories are now of interest to an expanded prospect pool that can impacted and cost-effectively mined via DRTV advertising.

These new efficiencies now offer enhanced ROI potential, if proper targeting and messaging is incorporated into the campaigns.

Methodology for Vertical Trend Analysis & Findings

The goal of this report is to identify which specific Vertical categories now offer strong opportunities for DRTV advertisers, and those that do not. To better understand this dynamic, we've analyzed our clients' DRTV results on a month-by-month basis for all of 2020, as this timeframe encompasses results from the pre-shutdown period as well as those directly generated at various phases within its midst.

To normalize the results, the cost-per-lead (CPL) metric has been used as the standard basis of comparison. Where clear-cut, insights on metrics further down the sales funnel have been included.

For this report, March through May 2020 is considered the key period for which the results have been evaluated, since this is when consumer lifestyle changes have been most pronounced. We compared our clients' March-May DRTV results against the pre-shutdown months of January-February, and where applicable, on a year-over-year basis. Where the trends are clear, we have included recommendations on current and future advertising viability for specific vertical categories.

As client spending and results data are proprietary, we have shown performance trends as indices, with the Jan/Feb results used as the initial baseline benchmarks (with an index = 100). Additionally, where applicable, we've included the most-recent findings from May and compared these to the results from the initial stage (March/early-April) of the shutdown period.

So, a current index of 120 for a Vertical category's performance equates to a 20% increase in CPLEad efficiency, when compared to its corresponding earlier results. Conversely, an index of 90 shows a 10% decrease for CPLEad efficiency, relative to the same period.

Findings by Vertical Category

- **Automotive Related**
 - This vertical category has performed exceptionally well for our DRTV clients throughout the entire shutdown period, as they've all either maintained or exceeded their Jan/Feb results, which were strong to begin with.
 - Overall, this vertical has delivered a **CPL index of 108** in the shutdown period. This trend is especially promising, as this efficiency mark has been remarkably stable during each and every shutdown month.
 - This trend is especially impressive considering that it has been generated concurrent with some significant client DRTV budget increases that first went into effect in March and have been maintained ever since.
 - Critically, the viability of these leads has also remained strong throughout this period, meaning that both quantity & quality have been generated cost-effectively, a proven revenue-producing formula for any DRTV advertiser.

- **Financial Products & Services**
 - The initial and most-recent results within this Vertical have varied significantly, depending on the type of product or service our clients offer, as businesses that deal with financial distress have been considerably more successful than those that offer investment opportunities.

- As a result, our clients that concentrate on offering various approaches to debt relief have experienced stronger lead efficiency, cumulatively **indexing at 104** for the April/May period, which is almost identical to the first part of the shutdown.
- Tax-related service is one area that has experienced sustained interest the entire period, as many people have experienced unforeseen financial hardship, are now in uncharted territory, and are seeking the advice of experts to minimize their exposure.
- **Education**
 - This Vertical's performance has been consistently solid, as the recent economic turndown and resulting layoffs stimulated many workers to reconsider their current and future employment prospects.
 - This dynamic appears especially relevant for the Adults 18-34 demographic, as this age group makes up a significant portion of many traditional entry-level, retail and service-related positions, which have gone away for the time being (if not longer).
 - Recent ratings data have consistently shown that Adults 18-34 have ranked at or near the top for increased TV viewership during the shutdown. As this group is usually the primary target demographic for this Vertical, their recent surge in TV viewing within new dayparts has proved especially lucrative for a number of our Education clients.
 - Many of those recently laid-off are coming to the realization that their old jobs may not even exist in the future, and those positions that remain will be subject to severe competition, as there will clearly be an excess of qualified workers looking to fill them.
 - Though the current situation differs in some meaningful ways, this trend is consistent with the increased demand the Education Vertical experienced following the 2008 Recession, as that economic downturn also motivated many people to reassess their employment options and explore expanding their education or skillset, instead of staying in their current or prior jobs.
 - Predictably, the effectiveness of our education clients' recent DRTV campaigns has varied, primarily depending on the types of coursework they offer, as certain vocations – particularly in the medical fields – are projected to surge, while others are not.
 - But overall, the cumulative results for this vertical have been trending in a positive direction, as the shutdown period's CPLEad figures are **indexing at 109**, or 9% stronger than the January/February results.
 - Just as critically, this trend also applies to the lead quality as well as the quantity, as our clients' student enrollment volume has **indexed at 106** versus the same period in 2019, which was considered strong at the time.
 - So, the recent lead quality hasn't slipped, despite the likelihood that more respondents than usual are probably at the casual stage about their inquiries at this point.
 - This current uptick is significant because historical response within Jan/Feb has been among the strongest timeframes in the education Vertical, as making a significant lifestyle change traditionally peaks in conjunction with the annual surge in New Year's resolutions.
 - While the trend of larger audiences is primarily in play on broadcast and cable television, we have also seen a meaningful uptick in cost-effective response on some OTT platforms, especially those who offer content popular with the 18-34 demographic.
- **Exercise/Diet**
 - Not surprisingly, our clients in this Vertical have experienced a surge in results for the entire shutdown period, as this category ranks among the strongest in terms of sustained DRTV viability.

- For the early shutdown period, March through early-April, our DRTV clients in this Vertical saw exceptional results, with a cumulative **CPL index of 121**, as their cost-pers for both leads and sales translated into highly profitable campaigns.
- This trend has been even more-pronounced for mid-April through May period, as our clients have realized a **CPL index of 148** versus their early-shutdown results, among the strongest for any vertical.
- This trend intuitively makes sense, as many people adjust to lifestyles that have become much more sedentary during the shutdown and are regularly seeking alternative forms of exercise and/or dietary approaches during a time when their usual daily practices and habits are no longer viable options.
- This upsurge in efficiency is even more impressive when compared YOY against 2019's DRTV results, which were considered robust at the time. For the entire shutdown period, our clients' 2020's figures are **indexing at 112** when compared to the identical months from the prior year.
- **Nutraceuticals**
 - Cumulatively, our clients' DRTV campaigns for this Vertical have maintained their efficiencies during the entire shutdown period. Their results indicate that consumer demand for most of the products in this category have either been unaffected by the shutdown or have seen an increase in their results.
 - Perhaps most-encouragingly, DRTV efficiencies for our clients have been trending in a positive direction. Overall for March/early-April their **CPL index came in at 114** for this vertical, which was very strong, but the results for mid-April through May have been even more robust, delivering a cumulative **CPL Index of 132**.
 - Even better, this more-recent surge has delivered enhanced quantity as well as quality for their results, as several clients in this space had initially reduced their DRTV budgets during the early shutdown period while they evaluated how conditions would affect interest and demand for their products.
 - Most reconsidered this position, due to the strength of the early results, and subsequently gradually increased their DRTV spending close, or back up, to the prior levels and, as stated, have realized even stronger recent returns.
 - This trend has been even more impressive when compared YOY to the same period in 2019. Our clients in this Vertical have seen their DRTV-related sales increase in March-May 2020 by a significant margin over 2019's, which were considered strong at the time and, as a result, our advertisers in this category have experienced ROI figures that are among the best of all the Verticals.
- **Home Services**
 - This Vertical experienced significant success in the first stage of the shutdown, as its CPL **indexed at a robust 114** relative to February's.
 - While this trend has slowed down somewhat in April & May, our clients in this Vertical have still seen measurable CPL improvement, with an **Index of 107** for the period.
- **Legal Services**
 - Overall, the category has shown a slight improvement in CPL efficiency from an **indexing standpoint (103)**, but this doesn't tell the whole story, as some specific types of legal services have seen very strong results, while others have either stopped advertising or experienced downturns.
 - Of our legal clients that have seen the strongest performance, the ones that specialize in guiding consumers on how to get out of now-unwanted financial commitments have improved the most.

- This trend is not surprising, as many Americans now find themselves with increasingly uncertain financial futures, either having lost their jobs during the shutdown, or seen their incomes diminish significantly. For our legal clients in this mass tort sector, the April/May increase in CPL efficiency **indexed at 115**.
- **Live Entertainment**
 - Predictably, advertisers of this type have rightly stopped their campaigns until the guidelines for large gatherings are finalized and the restrictions are lifted.
- **Apps & Entertainment**
 - Not surprisingly, companies that offered time-consuming distractions that can be transacted from the safety and convenience of one's home initially showed a surge in results during the first stage of the pandemic shutdown.
 - In the initial version of this analysis, which covered results from the first month or so of the shutdown, this Vertical delivered the highest index among all categories, as our clients saw a cumulative CPL index of 112.
 - However, that early trend has since reversed to a degree, and for the latter part of April through May their Index has dropped to 94. This decline occurred for many of our clients, regardless whether their offerings are accessed by phone or online.
 - So, as the shutdown period progressed, these types of diversions have seemed to lose some of their allure. Perhaps the novelty wore off, or more practically, financial considerations came into play, as dwindling incomes needed to be earmarked toward basic necessities.
- **Medical Services:**
 - As the kinds of medical services and procedures traditionally offered by DRTV advertisers are primarily at least partly elective in nature, and require multiple office visits, most of our clients in this Vertical put their campaigns on hold at the start of the shutdown period and remained off-air until recently, when pandemic-related restrictions began to be lifted.
 - However, in order to keep a level of leads in their sales pipelines, a few of our clients in this Vertical substituted maintenance-level spending strategies instead of their usual direct response ones and ran topical and uplifting creative. This tactic had the added benefit of preserving their brand awareness, by delivering increased Share-of-Voice, and this advantage may have made a difference in terms of consumer preference once they re-opened.
 - Over half of our clients in this Vertical resumed their traditional DRTV campaigns at some point in May, though with updated messaging that addressed the current reality.
 - In general, these clients have been implementing a phased-in approach with their DRTV, as they're testing the waters – often on a market-by-market basis, depending on local conditions and restrictions – in order to properly evaluate the initial demand before committing to higher budget levels.
 - Overall, the early returns are promising, as our clients in this Vertical have experienced a **CPL index of 115** for their DRTV over the first few weeks. However, it remains to be seen whether these leads will actually translate into office or clinic visits, since what our clients offer usually requires a series of time-consuming appointments and are often cosmetic or elective in nature.
 - However, it appears that significant interest for these treatments remains in place, which is encouraging, and their sales pipelines are beginning to be replenished, regardless of how many prospects are willing to fulfill their appointments in the short term.

- **Senior Care Products & Services**
 - Our clients in this Vertical have experienced the strongest increase in results of any category in April/May, with **jumps in CPLEad efficiency indexing between 149 and 280**.
 - An increase in efficiency at this level is somewhat surprising, especially since the budgets have remained high throughout. While it's true that the Senior demographic's TV audience levels have increased somewhat during the shutdown, it has not been nearly to the extent seen by the other age groups.
 - Perhaps having to endure forced isolation has made many seniors more receptive to responding to DRTV advertising. But it doesn't seem that our clients are just fielding large quantities of poor-quality leads, as the lead-to-sale ratios have been strong too.
 - Overall for this vertical, the **CPL Index was at 188** for April/May versus the earlier 2020 months. Much of this improvement can be attributed to maximizing campaign variables, including new creative messaging, a longer spot length, and regular, rigorous optimization of the media schedules.
- **Travel**
 - Not surprisingly, our clients in this Vertical stopped their DRTV campaigns in March and have not been back on the air since, as demand plummeted with severe travel restrictions in place.
 - While these restrictions are easing in some places, it does not appear that the consumer mindset for significant travel commitments has done so at this point and our clients have wisely taken a wait-and-see attitude.
 - However, this is a category where some clients are strongly considering restarting their advertising in the near future. If so, they'd be perfectly positioned to take advantage of lower media rates, larger audience sizes, and a rare opportunity to carve out inexpensive Share of Voice, thereby moving themselves into a stronger competitive position for when higher demand for travel finally takes place.

Conclusions

- By and large, the larger audience levels and response dynamics that emerged during the initial stage of the CV-19 pandemic and resulting shutdown (mid-March through mid-April) have remained in place during the subsequent period of mid-April through the end of May.
- The stay-at-home restrictions imposed by the shutdown, plus the resulting social distancing measures, created an altered landscape for DRTV advertisers, with larger audiences in most demographics and dayparts. As a result of these enhancements, many additional programming options became viable, though others (like sports networks) lost substantial viewership and became less so.
- Not surprisingly, the effects of these trends on consumer demand and response levels have varied for each Vertical category, depending on the types of products or services they offer, and how these were perceived in light of people's evolving situational needs.
- Though restriction have begun to be lifted or eased throughout the country, it does not appear that consumers have yet altered the increased media consumption or DRTV responsiveness that emerged during the initial shutdown period. In fact, for advertisers in many Verticals, these positive developments have become even more pronounced.
- As a result, excellent opportunities continue to be in play for many – if not most -- DRTV advertisers, as much of the country remains housebound and watching TV. The larger current audience levels for key demographic targets has created stronger opportunities for many

marketers to mine through revised DRTV campaigns, and many that are taking advantage of this dynamic have been generating enhanced revenue levels as a result.

- The bottom-line is that while some vertical categories, like Travel and Live Entertainment, have predictably seen demand for their offerings evaporate, DRTV advertising overall has remained remarkably strong, if not improved considerably, for many others.
- Specifically, those Verticals that address personal fiscal problems continue to have high potential, regardless of category. This includes Automotive-Related, Legal, Home-Related and Financial Services and products, among others.
- Additionally, Verticals that offer diversions or alternative approaches for consumer's new lifestyles – such as Exercise/Diet, Nutraceuticals, and Education – are able to continue to air highly profitable DRTV campaigns during this stage of the shutdown.
- Finally, DRTV campaigns for some previously untenable Verticals, such as Medical Services, are now testing their way into the new consumer environment, and though it's still too early to state definitively whether they can sustain profitability at this point in time, the early signs have been encouraging enough to warrant continuing exploration.

The **InterMedia Group of Companies**[®] is a fully integrated \$850+ million advertising, media, marketing, entertainment and communications organization known for blending direct response advertising with general market techniques. Founded in 1974, IMGC specializes in direct response, brand response, retail, brand building and ecommerce advertising.

The company is comprised of multiple, synergistic business units:

InterMedia Advertising[®] (strategy, planning and research), **InterMedia Time Buying Corp**[®] (offline media execution), **InterMedia Interactive**[®] (online planning, buying and creative), **Mediapoint Network**[®] (Performance-based advertising), **InterImage Productions**[®] (television and radio production), **InterPost Productions**[®] **Editorial** (post production and effects), **InfoTech Development**[™] (advertising and media metrics technology), **InterMedia Entertainment**[®] (Celebrity and IP licensing deals) and **CPM Networks**[™] (unwired networks of cable, broadcast TV, and radio media).

For more information, go to <http://www.InterMedia.agency>