



## Vertical Marketing DRTV Trends During the CV-19 Period: September 2020 Update

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### Overview

The U.S. is now almost six months into the CV-19 pandemic, and while most people's lifestyles have evolved and settled into revised routines, the virus' daily impact on most consumer's personal and work regimens remain significant and widespread.

This includes changes to their buying habits, as most consumers have had to adjust to new product sources and distribution channels to meet their needs in an altered landscape.

Currently, most states have only allowed certain categories of businesses to re-open, and these must deal with significant regulatory guidelines, as local governments balance their area's economic needs against their community's health concerns.

For many DRTV advertisers, regardless of which vertical category they fall into, the ongoing question is whether emergent consumer media consumption habits and buying behaviors will continue as is, or more-likely, how they project to evolve.

Though local ordinances and health conditions will continue to strongly influence resident's attitudes and behavior, recent consumer studies indicate that many will continue to follow their scaled-down lifestyles for now, regardless of local circumstances.

This means that most traditional retail advertising should continue to struggle, and consumers will keep looking to alternative channels for their wants and needs. DRTV has and will continue to provide the ideal marketing environment to address this opening, but advertisers will need to regularly assess market conditions in conjunction with their campaign results to fully understand consumer demand, and then adjust accordingly.

Clearly, circumstances will continue to impact advertisers in some vertical categories more than others. The goal of this paper is to identify where opportunities and efficiencies do and do not exist – both now and in the immediate future – and then plan their DRTV campaigns accordingly.

### Findings to Date

The **first version** of this analysis looked at DRTV trends from the initial phase of the national shutdown and covered the period of mid-March through the end of April.

- At that point, it was clear that the lifestyles of most U.S. consumers had undergone massive changes and, not surprisingly, people’s media consumption habits and demand for specific products and services had grown or shrunk accordingly.
- With most people homebound during this first phase of the pandemic, audience research data showed that television viewing during this period increased across the board, within basically all dayparts and most demographic groups.
- Additionally, a number of other TV vehicles, especially OTT (Over-the Top), emerged as strong options for many DRTV advertisers, primarily as adjuncts to existing broadcast and cable base schedules. This trend was not surprising, since demand for specialized, streaming content surged as households sought new programming options to fill the additional hours spent at home.

The **second version** of this analysis, which covered May through early June, showed that these initial media consumption and response trends were still present, but leveling off to a degree.

- Encouragingly, a number of our DRTV clients who’d initially sat out the first stage of the pandemic went back on-air during this timeframe, saw strong results, and have continued to run revenue-generating campaigns.
- From a media delivery standpoint, many campaigns were significantly bolstered by attractive media rates, combined with increased bonus weight that we negotiated.
- In many cases, those DRTV advertisers who took advantage of these enhanced inventory conditions profited from this additional exposure, as they were able to run in programming areas not previously affordable and saw their ROI increase as a result.

While some new Vertical categories showed increased potential in this phase, others continued to struggle. However, those DRTV advertisers that read consumer behavior quickly and correctly, while remaining on-air throughout the pandemic period, have been rewarded with ongoing campaigns that have performed as well -- or better -- than their efforts prior to the start of the pandemic.

For the **most-recent period** of June through early August, most of our clients have continued to run DRTV campaigns that can best be described as “steady & solid.”

- This finding may sound a little boring, but to our clients it’s anything but; being able to consistently generate strong results and revenue every week is ideal for any DRTV campaign, as the ability to accurately project the delivery of their efforts is precisely the outlook they need to plan effectively.
- Also, as mentioned, the findings from this latest timeframe show some encouraging trends for profitably expanding the DRTV media mix. When the pandemic first surged, we generally recommended that our on-air clients should test the new environment primarily with their “tried-and-true” media vehicles. This strategy assumed that if these proven, top options didn’t perform well, it was unlikely that anything else would be effective.
- So, for the most part, initial DRTV schedules consisted primarily of national cable networks proven to consistently generate significant revenue. When this strategy proved effective, additional cable networks were tested and, in general, a high percentage of these produced positive results as well.
- With the viability of national cable established, additional DRTV vehicles were gradually incorporated into the mix, and for the most part, the results have been highly encouraging.

While continuing to use national cable as the campaign base, options with similar audience compositions and efficiencies have been tested regularly, and we've been able to complement our client's base cable schedules with a variety of additional revenue generating DRTV vehicles.

Of course, the type of successful vehicle varies by client, depending on what they offer and their target demographic, but many June/July campaigns have been significantly enhanced by including some combination of syndication, network TV, OTT and cable overlays.

This cable overlay approach has been especially lucrative for many clients. It utilizes our CPM Network<sup>®</sup> platform, a national unwired cable network which can be regionally customized by DMA for each client. It does so by aggregating inventory at excellent rates (at or below highly negotiated national equivalents) from local cable operators. This tactic has proven especially effective on a couple of levels:

- The ability to afford quality airtime on the top cable news networks, whose ratings – and unfortunately, their rates -- have surged throughout the pandemic
- For placing additional TV weight within key geographic areas, where the national campaign has revealed “hot spots” that justify extra media placements. This way, those DMAs proven to generate high revenue can be cost-effectively mined for incremental profits, without incurring the expense – and potential wasted coverage – that running nationally would entail.

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 comprised of companies that market similar goods and generally operate competitively, while horizontal marketing targets a specific consumer segment across multiple business categories.

Since vertical categories cover the spectrum of products and services, the ongoing influence of the pandemic and shutdown on consumer behavior has varied widely, depending on the products or services offered within each vertical.

For example, most Verticals that involve travel have experienced a steep drop in demand, while many of those that ease consumer transitions to pandemic-related conditions have thrived.

Accordingly, some Vertical categories now appeal to an expanded prospect pool that can cost-effectively mined via DRTV advertising, if proper audience targeting and topical creative messaging are consistent campaign elements.

### **Methodology**

This report's aim is to identify which specific Vertical categories offer strong opportunities for DRTV advertisers during this unique period, and those that do not. To distinguish between the two, we reviewed our clients' DRTV results for all of 2020, and in some cases, year-over-year, as this timeframe lets us compare results from this year's various phases and put the findings in the appropriate context.

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

Because client budgets and results are proprietary, performance trends have been shown as indices, with the Jan/Feb'20 pre-pandemic results set as the baseline benchmarks and assigned an index of 100.

So, an index of 120 for this latest June/July period means the vertical saw a 20% increase in CPLEad efficiency, compared to prior results from specific phases. Conversely, an index of 90 shows a 10% decrease, relative to the same time period.

### Findings by Vertical Category

- **Automotive Related**
  - This vertical category has performed exceptionally well for our DRTV clients throughout the entire pandemic period, as they've either maintained or exceeded their Jan/Feb results, which were strong to begin with.
  - Initially, this vertical delivered a **CPLed index of 108** through May. This trend has continued in June/July, with an **index of 109**.
  - Encouragingly, this efficiency mark has been remarkably stable during each and every shutdown month.
  - This performance is especially noteworthy as it has occurred in some cases in concert with client budget increases, plus with the introduction of DRTV vehicles beyond just national cable, including syndication, OTT and even broadcast network.
  - It has also been successfully augmented with cable overlays in specific markets utilizing our CPM Network<sup>®</sup> platform, where additional weight has been placed to take advantage of higher demand in a highly cost-efficient manner.
  - Plus, the lead quality has remained solid throughout, meaning that both quantity & quality have been generated cost-effectively, a proven revenue-producing formula for any DRTV advertiser.
  
- **Financial Products & Services**
  - The results within this Vertical have varied significantly, depending on the type of product or service offered, as businesses offering relief from financial distress have been more viable than those offering investment opportunities.
  - Accordingly, clients that offer approaches to debt relief have seen stronger recent lead efficiency, cumulatively **indexing at 102** for the June/July period, just slightly below the results from the first part of the shutdown, when they **indexed at 104**.
  - Tax-related services realized more consistent interest during the earlier part of the period, with many experiencing unforeseen financial hardship. However, as people's situations have gotten more settled, demand has decreased somewhat and, in general, our clients have reduced their schedule weight over the past month. This trend applies to our debt relief clients as well.
  
- **Education**
  - The DRTV performance in this Vertical's performance has been consistently solid for most of our clients in this space, as the economic downturn and large-scale layoffs within many industries motivated many to re-assess their future employment prospects and consider professions less-likely to be affected, or projected to be in higher demand, in the post-pandemic business landscape.
  - This trend is not surprising, as interest in schools has historically jumped during times of economic distress, most-recently following the 2008 recession, as the current employment situation is widely considered the least promising since the Great Depression.

- This dynamic is especially relevant for Adults in the 18-34 demographic, as this age group fills many entry-level, retail and service-related positions, most of which have declined dramatically since March, and in many cases, are not expected to return.
  - Initial TV ratings data showed that Adults 18-34 ranked near the top in terms of increased TV viewing. This group historically represents the primary target demographic for the Education Vertical, so their surge in TV viewing proved particularly profitable for many of our schools, as they were able to reach additional prime prospects via an expanded and/or enhanced set of cost-effective dayparts, which were less tenable before the shutdown.
  - Understandably, the effectiveness of their DRTV campaigns has been mixed, primarily depending on the types of coursework they offer. Specific vocations, particularly in medical support positions, are expecting substantial growth, both now and in the immediate future, and response has been high.
  - Conversely, courses for vocations that require regular face-to-face instruction, like welding, have seen demand decline.
  - The cumulative results for our clients in this vertical initially trended positively, with their March - May CPLEad delivery **indexing at 109** when compared to their January/February results. Critically, this uptick also carried over to lead quality, as the number of enrollments **indexed at 106** versus the same period in 2019, which was considered strong at the time.
  - Encouragingly, our clients' results during June/July have even ticked up a notch, cumulatively **indexing at 116**.
  - This current uptick is meaningful because Jan/Feb DRTV results have historically been among the most-lucrative periods for the education Vertical, as significant lifestyle decisions usually peak at the start of each year, often as New Year's resolutions.
  - So, for 2020 at least, it appears that demand within much of this Vertical may now have an expanded timeframe to mine than existed in previous years.
  - Finally, while the initial surge of larger TV audiences for Adults 18-34 has leveled off in the last couple of months, overall response for our clients has not, as we've been able to successfully optimize their cable and broadcast schedules while augmenting these with new vehicles, especially targeted OTT platforms that offer content popular with this demographic.
- **Exercise/Diet**
    - Unsurprisingly for a newly housebound population, our clients in this Vertical initially experienced a surge in campaign results, and products in this category have ranked among the strongest in terms of sustained DRTV viability.
    - For the early shutdown period, our DRTV clients in this Vertical saw exceptional results, with a cumulative **CPLed index of 121**, as their cost-pers for both leads and sales translated into highly profitable campaigns.
    - The trend was even stronger through May, as our clients saw a **CPLed index of 148** versus their early-shutdown results, among the strongest for any vertical.
    - For June/July, the results have been steady and solid. While there hasn't been another bump in results efficiency, the prior gains have basically been maintained, **indexing at 98 versus March - July**, so the profitability of our client's DRTV campaigns has remained intact.
    - This trend intuitively makes sense, as most people needed to adjust their exercise and/or diet habits during the shutdown, often drastically. So, alternative approaches

quickly became necessary and popular, and many of these practices have been maintained.

- Additionally, as for other Verticals, new DRTV vehicles have been successfully introduced in recent campaigns, including targeted syndication and Hispanic TV.
- 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 pandemic period, our clients' 2020's figures in this Vertical are **indexing at 111** when compared to the identical months from the prior year.

- **Nutraceuticals**

- Cumulatively, our clients' DRTV campaigns for this Vertical have increased or maintained efficiency during the entire shutdown period. This indicates that consumer demand for most of the products in this category have been largely unaffected by the pandemic, or seen an increase in results.
- Perhaps most-encouragingly, DRTV efficiencies for our clients have consistently trended 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 were even more robust, delivering a cumulative **CPL Index of 132**.
- In the June/July period however, the results have reverted closer to their pre-pandemic levels, **indexing at 103** relative to their solid January/February numbers. So, while demand has eased somewhat from the initial phases, it remains at strong ROI-producing levels.
- These results are even more promising when applied YOY to the same 2019 timespans. DRTV-related sales for March through July '20 have come in considerably above last year's, which were solid, so our DRTV clients in the Nutraceutical Vertical are now realizing ROI levels among the best of all categories.

- **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 slowed somewhat in April & May, our clients in this Vertical still saw CPL lead improvement, with an **Index of 107** for the period.
- While the June/July results are **indexing at 102** when compared to the earlier pandemic timeframe, this still represents a significant increase in efficiency over the pre-pandemic ones, and our client's campaigns in this vertical have remained highly profitable.

- **Legal Services**

- Cumulatively, our clients in this Vertical has shown a slight improvement in CPL lead efficiency from an **indexing standpoint (102)**, but their individual campaign results are more reflective of the specific type of legal services that each offers.
- As a result, some have seen strong results, while others have either stopped advertising or seen a reduction in DRTV efficiency.
- Unsurprisingly, considering the nation's economic downturn, those that have experienced the best performance are the ones that focus on putting their clients on more-secure financial footing. For our clients who specialize in these areas, their overall **June/July CPL results indexed at 117**, relative to their pre-pandemic performance.
- For our legal clients in the Mass Tort Sector, results in the initial pandemic phases were very strong as well, showing an increase in CPL efficiency that **indexed at 115**.

- While their June/July results have generally remained solid, a couple of campaigns were so successful that they reached their caseload goals earlier than expected and have temporarily suspended their DRTV advertising as a result.
- **Live Entertainment**
  - Predictably, advertisers of this type have rightly stopped their campaigns until the guidelines for large gatherings are revised and restrictions are lifted.
- **Apps & Entertainment**
  - Not surprisingly, companies that offered time-consuming distractions transacted from one's home showed a surge in results during the first stages of the pandemic.
  - In the initial version of this analysis, which covered mid-March and April, our clients in this Vertical experienced a significant response surge, with a cumulative **CPLed index of 112**.
  - However, that early trend reversed somewhat during May, as their **Index dropped to 94**. This decline occurred for the majority of clients in this Vertical, regardless of what they offered, or if their products were accessed via telephone or going online.
  - For June/July, however, results have rebounded slightly, **indexing at 107 compared to May's**.
  - Results in this Vertical have been among the hardest to predict, as they appear less stable than those for most other categories, probably because they are by-and-large completely discretionary and more dependent on whim than need.
  - So, as the pandemic period has evolved, these types of diversions appear more prone to fluctuations than the products and services in most Verticals.
- **Medical Services:**
  - This Vertical category was severely hampered by the effects of the pandemic, as the types of medical services usually offered by DRTV advertisers are primarily elective in nature, plus often require multiple office visits.
  - Accordingly, most of our DRTV clients in this Vertical put their campaigns on hold early in the shutdown period and remained off-air until May, when pandemic-related restrictions began to ease in many areas.
  - However, a few of our clients in this category countered with maintenance-level campaigns, updated with topical, uplifting creative. This tactic had the benefit of preserving brand awareness, delivering increased Share-of-Voice, and maintaining an acceptable level of activity in their sales pipelines.
  - As their efforts were mostly successful once they restarted their direct response campaigns, maintaining this TV presence may have made a difference in terms of consumer preference and response once they re-opened.
  - Recent studies have shown a gradual easing of patients' cautious attitudes toward doctor visits, and their increased response to DRTV ads has reflected this trend. To fully take advantage of this trend, it has been critical for our clients to create and air updated messaging designed to address and offset these ongoing consumer concerns.
  - In general, these clients successfully implemented a phased-in approach with their DRTV restarts by first testing the waters, often on a market-by-market basis, to properly assess demand before committing to their higher, pre-Covid budget levels.
  - Overall, the early returns were strong, and our clients in this Vertical saw a **CPLed index of 115** for their initial May DRTV campaigns. Encouragingly, an acceptably high

percentage of these leads converted into office/clinic visits or virtual consultations, and many decided to proceed with treatment.

- For the most part, our client's June/July DRTV results have built on May's encouraging ones, as cost-per efficiencies have been maintained or exceeded recently. Overall, their **CPL indexed at 111** versus their pre-pandemic results, an especially strong figure considering many of their DRTV budgets increased substantially in these recent months, in some cases by 200%-300%.
  
- **Senior Care Products & Services**
  - Our clients in this Vertical initially saw the highest bump in results of any category in April/May, with **jumps in CPLEad efficiency indexing between 149 and 280**.
  - This level of increase was somewhat surprising, since the Adult 65+ TV audience levels only increased marginally during the initial stages of the shutdown, and not nearly to the extent seen by the other age groups.
  - Perhaps forced isolation made many seniors more receptive to DRTV advertising. But, overall, our clients' lead-to-sale ratios in this Vertical have been strong as well, so their lead quality – and, more importantly, revenues – have improved as well.
  - Overall, our client's **CPL Index in this Vertical was an excellent 188** for March through May, versus the January-February '20 months. While this jump has leveled off somewhat in June/July, it has remained well above the norm, **indexing for CPL at a very respectable 121**.
  - So, while seniors have always been a highly responsive bunch for DRTV advertisers, it appears that the conditions arising from the pandemic has made them even more so.
  
- **Online Gaming**
  - Not surprisingly, with entertainment options significantly limited during the pandemic, interest and demand have grown for many companies in this Vertical, which offer daily competitions via online platforms, and is accessible to consumers by phone or tablet.
  - This Vertical appeals to people of all ages and both sexes, but is most-popular among M18-34, especially the older half of that segment.
  - Predictably, the entertainment related restrictions imposed by the pandemic have created an environment that has been strong for our clients in this Vertical, and they've been able to generate revenue from their DRTV campaigns on a regular, ongoing basis.
  - National cable has been especially responsive, as our clients have been able to cost-effectively steadily expand their roster of networks, as well as profitably incorporate other vehicles, especially OTT, into their campaigns.
  
- **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.

## Conclusions

- By and large, the improved response dynamics that emerged during the initial stage of the CV-19 pandemic and resulting shutdown have been maintained, even though overall TV audience levels have flattened, following a jump in the early- and mid-shutdown periods.
- Initially, the stay-at-home restrictions imposed by the pandemic, plus the resulting physical distancing measures, created an enhanced marketing landscape for many DRTV advertisers, with larger audiences available in most demographics and dayparts.
- As a result, some additional DRTV programming options became more viable, though some others (like sports networks, until recently) lost viewership and became less attractive.
- Accordingly, the altered lifestyles and resulting media landscape affected consumer demand and response differently within each Vertical category, depending on the type of product or service offered, and how these dovetailed with people's evolving situational needs.
- Though restriction have eased in most of the country, and TV viewing levels have mostly reverted back to pre-pandemic levels, it appears that, in general, consumers have maintained the increased DRTV responsiveness that emerged during the initial shutdown period.
- Encouragingly, additional DRTV vehicles beyond national cable have emerged as consumer viewing patterns have evolved. This is especially true for content-specific platforms, like OTT, and bodes well for more-diverse media mix campaigns going forward.
- So, while it's still not advisable for DRTV advertisers in some Vertical categories, like Travel and Live Entertainment, to resume full-scale campaigns, re-establishing their market share is critical, so restarting them at more moderate levels in the near future is advisable.
- DRTV advertising overall has remained remarkably strong, if not improved considerably, for many others.
- Finally, DRTV campaigns for some Verticals, like Medical Services, that initially put their campaigns on hiatus, have successfully restarted them, though they also needed to update the tone and feel of their messaging to reflect evolving consumer attitudes and needs.

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