



## Direct Response Television Effectiveness During CV-19 Shutdown Period: Vertical Category Trends

By Rick Feldman, Vice President Marketing & Strategy

[rfeldman@im.agency](mailto:rfeldman@im.agency)

[www.intermedia.agency](http://www.intermedia.agency)

May 4, 2020

### Overview

The lifestyles of most U.S. consumers have undergone substantial and significant changes as a result of the Coronavirus pandemic and ensuing shutdown and accordingly, many people's media consumption habits have evolved as well.

Recent audience research has consistently shown that television viewing during the shutdown period has generally increased across the board, for basically all dayparts and most demographic groups.

For DRTV advertisers, the dynamics of the current situation present an immediate challenge: will demand for their products or services drop to the extent that it doesn't make sense to continue their DRTV campaigns, or will interest in them actually increase during this time, as many consumers are now considering alternate or new approaches to their lives?

Key Findings: As detailed below, while some Verticals like Travel and Medical are predictably doing poorly, many Verticals, such as Automotive-Related, Legal and Financial are performing as well or better than prior to the start of the Pandemic.

### Vertical Categories

In vertical marketing, products and services are classified within specific industries – or “verticals” – instead of horizontally, which appeal across all consumer groups. So, a vertical is a well-defined industry comprised of companies that market similar goods and that generally operate competitively.

Conversely, horizontal marketing is targeted to impact a customer segment that ranges across multiple industries, the opposite of vertical marketing.

As these vertical categories basically cover the spectrum of products and services, the effects of the pandemic shutdown on each sector's related consumer behavior has varied widely, depending on whether a category's offering has become more/less appealing, or relevant, under today's changed lifestyle conditions.

For example, many products and services for verticals that require leaving one's home for extended or multiple periods of time have seen demand drop precipitously, as consumers living under stay-in-place edicts are prohibited from going out for non-essential activities.

But the inverse is true as well, as recent lifestyle and work-related restrictions have forced many people to drastically re-evaluate their situations and make changes and adjustments previously not considered. These include the need for specific financial or healthcare services, as many consumers now find themselves in completely different situations than they envisioned barely over a month ago.

As a result, some verticals can now successfully appeal to an expanded prospect pool via DRTV advertising, as these new, higher efficiencies now offer enhanced ROI potential. As a result, some DRTV advertisers are finding that these segments present larger prospect bases that can be profitably mined, if proper targeting and messaging is incorporated into their campaigns.

### **Methodology for Vertical Trend Analysis & Findings**

As mentioned, the effects of the Coronavirus shutdown on advertising response has varied widely, depending on how significantly the dynamics within each vertical category have enhanced or depressed demand and perception.

The goal of this report is to identify which specific vertical categories now offer stronger opportunities for DRTV advertisers, and which do not. To accomplish this, we compared the DRTV results that our direct marketing clients experienced month-by-month throughout Q1'20 and Mid-April, then analyzed these response patterns and trends from their recent campaigns.

To normalize the results, the cost-per-lead (CPL) metric has been used as the standard basis of comparison.

For this report, March through Mid-April is considered the key period to assess, since this is when consumer lifestyle changes have become most pronounced. We have compared our clients' March/April DRTV results versus each of the first two months of Q1'20, and where the trends are clear, have made recommendations regarding current and future advertising viability for each of the vertical categories.

Finally, as all client spending and results data are proprietary information, instead of disclosing the actual figures, we have shown these performance trends as indices, with the Jan/Feb results used as the benchmarks (with an index = 100) for evaluating the findings and recommended future courses of action.

So, a March/April index of 120 in a vertical category means that our clients saw a 20% increase in efficiency on cost-per-lead when compared to their corresponding results for Jan/Feb. Conversely, an index of 90 says that the category saw a 10% decline in CPL efficiency since the shutdown began.

### **Findings by Vertical Category**

- **Automotive Related**
  - This vertical category has performed exceptionally well for our DRTV clients in March/April, 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 it occurred despite a substantial DRTV budget increase by our clients for March/April.
  - The lead quality has also been maintained in this recent period, meaning that both quantity & quality have been generated cost-effectively, a surefire formula to deliver revenue for a DRTV advertiser.

- **Financial Products & Services**
  - Recent results for this vertical have been as varied as the types of products and services the category includes, as those companies 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 types of financial relief have experienced stronger lead efficiency, cumulatively **indexing at 105**.
- **Education**
  - This vertical has been surprisingly solid, as the recent economic turndown has many younger adults now reconsidering their future employment prospects.
  - This trend is consistent with the increased demand that this vertical experienced following the 2008 Recession when, similarly, a severe economic downturn caused many consumers to reassess their future employment options and explore furthering their education instead of staying in the job market.
  - The effectiveness of our education clients' March/April DRTV campaigns has varied, primarily depending on the types of coursework they offer, but the overall results in this vertical have been positive, as the period's CPL figures **indexed at 111**, or 11% stronger than the January/February results.
  - Perhaps more importantly for projecting the immediate future DRTV viability in this vertical, these results also applied to the lead quality as well as quantity, as our clients' student enrollment volume **indexed at 109** versus the same period in 2019, which was considered strong at the time.
  - This 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.
- **Exercise/Diet**
  - Our clients have experienced positive results in March/April. This intuitively makes sense, as many people realize that their lifestyles have become much more sedentary during the shutdown.
  - For March/April, our DRTV clients in this vertical have seen exceptional results, with the cost-pers for both leads and sales reaching highly profitable levels.
  - For this category, the March/April **CPL index is 121** versus the Jan/Feb results, which are among the strongest for any vertical.
  - This trend is even more impressive when compared YOY against 2019's results, which were exceptionally robust, as comparing the identical months resulted in a **CPL index of 107**.
- **Nutraceuticals**
  - By and large, DRTV for this vertical has maintained its efficiencies despite the shutdown and it appears that many products in this category are basically unaffected – or have seen increased results -- by recent turns in events and remain viable DRTV advertisers. Overall, the **CPL index for March/April came in at 114** for this vertical, surpassing expectations.
  - In fact, several clients in this category that had reduced their budgets significantly for the shutdown have reassessed this position due to the strength of their recent results. These advertisers saw their YOY sales increase in March/April 2020 by 74% over 2019's, despite reducing its DRTV budget by over 60%. This resulted in a YOY **CPL index of 201**, the strongest figure realized by any of our clients.
- **Home Services**
  - This vertical experienced significant success in March/April, as its CPL improved measurably from February, while holding steady compared to January.

- So, while the March/April CPLead index (100) has remained flat relative to January, it has **indexed at a robust 114** compared to February's, an encouraging development for future, sustained campaign performance.
- **Legal Services**
  - Overall, the category has remained basically flat from an indexing standpoint (98), but this is somewhat misleading, as some specific types of legal services have seen very strong results, while others have experienced downturns.
  - Our clients in some mass tort actions have seen increased CPL efficiency in March/April, **indexing cumulatively at 107.**
- **Live Entertainment**
  - Not surprisingly, advertisers of this type have rightly stopped advertising until the guidelines for large gatherings are changed and the restrictions are lifted.
- **Apps & Entertainment**
  - Of our clients in this category, all but one's results from their March/April DRTV campaigns maintained or exceeded their Jan/Feb numbers, both for volume and CPLead efficiency.
  - The CPL metric for our clients in this vertical has improved in March/April, with an overall **Index of 112.** This has been realized even though their DRTV spending has increased in some cases, so both campaign quality and quantity have been enhanced during the shutdown.
- **Medical Services:**
  - The types of procedures offered by DRTV advertisers are by-and-large elective in nature, so most advertisers in this category have put their campaigns on hiatus until related restrictions are lifted.
  - However, in order to keep acceptable levels of leads in their sales pipelines, some of our clients in this vertical have instituted a maintenance-level spending strategy, which has the added benefit of sustaining brand awareness, and hopefully, preference once demand picks back up.
- **Senior Care Products & Services**
  - While the Senior Demographic's TV audience levels have increased somewhat in March/April, this has not been nearly to the extent seen by the other age groups.
  - Regardless, response in March/April for this vertical also increased for many of our clients, especially those who sell senior-focused products, as the forced isolation that many in this age group are now experiencing has motivated them to explore options that could make them less-dependent on their caregivers.
  - Overall for this vertical, the **CPL Index was at 108** in April/May versus Jan/Feb, though as mentioned, the positive results primarily came from the products subcategory, as demand for our clients' senior services has remained basically flat during the shutdown period.
- **Travel**
  - On an intuitive level, this vertical category would seem to be a strong candidate to stop or severely curtail its advertising, as traveling anywhere is not even an option for much of the country's populace.
  - However, this is a category that should start to advertise sooner rather than later, in order to take advantage of lower media rates, maintain their Share of Voice, and start refilling their lead pipelines.

## Conclusions

- The audience and response dynamics that have emerged from the Coronavirus Pandemic and resulting shutdown have created an altered direct response landscape for television advertisers, with many marketing environments being enhanced, while others becoming less viable.
- This trend is especially pronounced within specific vertical categories, depending on the types of products or services they offer, as demand for them has surged or declined substantially, depending on how the new environment is affected by current events and perceptions.
- While it is still unclear how long the existing circumstances will last, or even which specific U.S. geographies will have to contend with these restricted conditions, excellent opportunities clearly exist in this point in time for many DRTV advertisers, as much of the country remains stuck at home and is watching TV. As a result, audience levels have surged across almost all demographic groups and dayparts, providing a stronger opportunity for many marketers to take advantage via DRTV campaigns, depending on what they offer.
- While, predictably, some vertical categories like Travel and Live Entertainment have seen demand for their offerings evaporate almost completely, DRTV advertising overall has remained remarkably strong for most others.
- Specifically, verticals dealing with addressing fiscal uncertainty appear 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, like some Apps, or Alternative Lifestyle approaches like Exercise/Diet, Nutraceuticals, and Education can also run highly effective DRTV campaigns during the shutdown. Demand for these has increased recently, as many consumers strongly consider new tactics to deal with a mode of life that was previously unimagined.