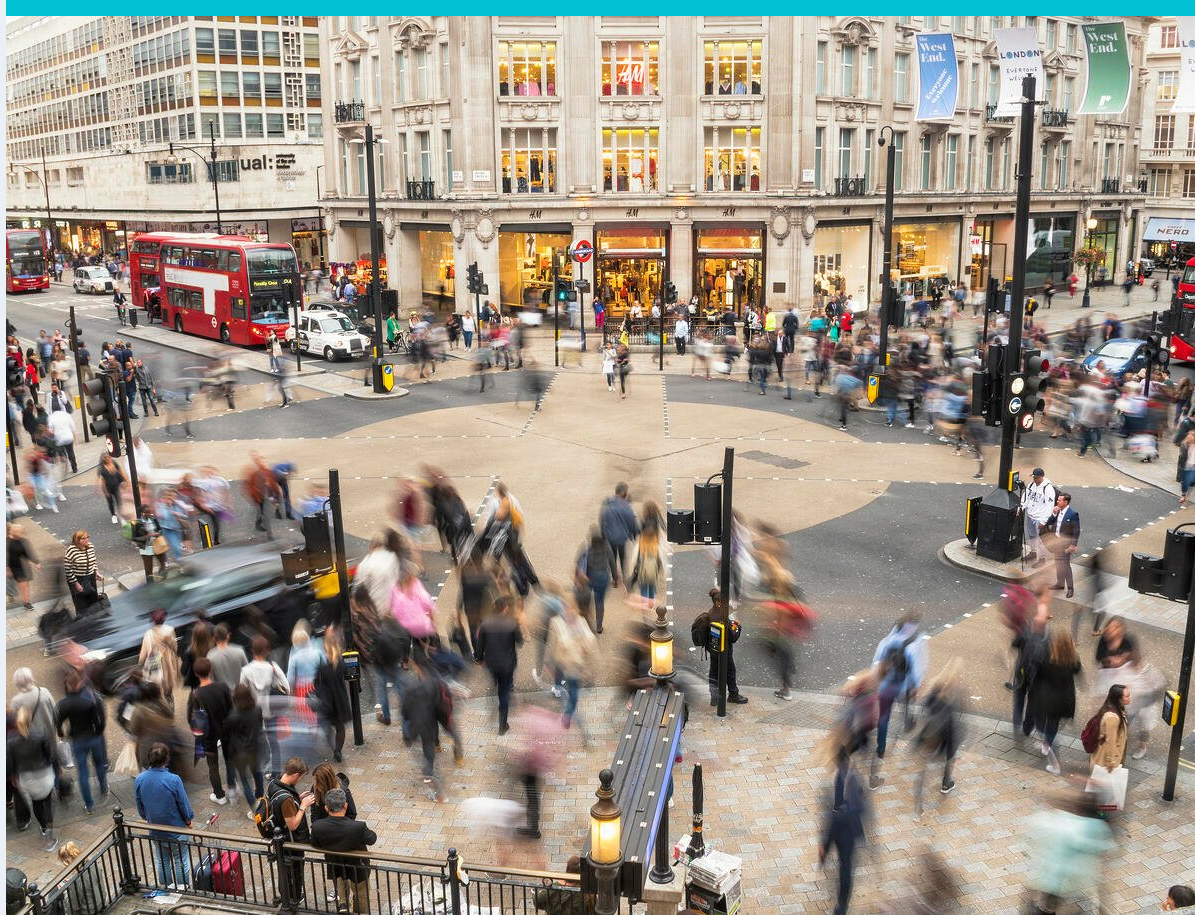


FOURCAST

four

Insights from Four's media & strategy teams



UK GREEN SHOOTS

In a promising development for the UK economy, recent months have seen a decrease in the annual inflation rate, so that [wages now outpace inflation](#). The Office for National Statistics reports an impressive 7.8% annual growth in regular pay (excluding bonuses) marking one of the highest rates since 2001. Even when adjusted for inflation, regular pay has risen by 0.7% over the year. This rise in real wages occurs as the economy shows signs of cooling, marked by reduced job vacancies and a slight employment decline. Despite these challenges, the improved wage growth offers a silver lining that could boost consumer confidence and spending.

Additionally, the UK advertising industry is displaying robust signs of economic recovery. [Ad spending in the second quarter increased by 1% to nearly £9 billion](#), as per the Advertising Association/WARC Expenditure Report. This growth in ad expenditure is viewed as a significant barometer for the broader UK economy, with Q2 ad spend growing by 1.0%, surpassing the 0.6% rise in GDP during the same period. Online advertising continues to dominate, with four out of five advertising pounds allocated online, and vital online formats experiencing growth, including search (+5.3%) and online display (+5.8%). This provides a valuable opportunity for advertisers as the market rebounds. Anticipated ad spend growth of 2.6% in 2023 and a projected 3.9% increase in 2024 suggest potential for various channels to return to growth, despite ongoing economic challenges.

These economic indicators present a compelling opportunity for advertisers, signifying enhanced consumer purchasing power and a revitalised market. Advertisers should seize this environment to engage with a more confident and active consumer base, particularly in online advertising, where significant growth is observed, in order to increase ad spend and opportunities for business expansion.



RISE OF RETAIL MEDIA

Retail media, which we've discussed before, is the fastest-growing media channel of 2023 in relative terms. More notably, it's set to overtake TV ad spending in 2024.

Globally, retail media spending is on the rise, projected to reach \$128.2 billion this year, with an estimated 10% growth for the next year, as per the WARC Media's Global Ad Trends report (available on request). Retail media has become the fourth-largest advertising channel, closely rivalling linear TV. There's a growing belief that retail media will evolve into an infrastructure supporting the ad industry, moving away from being a distinct channel.

With the loss of third-party cookies, the ability to target specific audiences will become a significant strength for retail media networks. Amazon has emerged as a dominant player in this space, generating \$45.4 billion in ad revenue in 2023, surpassing Alibaba and becoming the world's largest retail media owner. Global spending is primarily led by technology and electronics brands, with projections of \$23.8 billion in 2024. Pharma and healthcare, as well as CPG categories, are following closely.

Retail media's recent growth has been remarkable, evolving from trade and shopper marketing into a digital advertising powerhouse. Retail media is expanding beyond paid search, and now incorporates video, audio, and out-of-home formats through cross-channel partnerships. The next phase, driven by deterministic retail media data, will play a pivotal role in informing campaigns across the broader media landscape.



CRAFTING EFFECTIVE SUSTAINABILITY MESSAGES

New research in the US has found that [sustainability-marketed products are growing twice as fast as conventionally marketed products](#) and are selling at an average premium of 28%. Sustainability clearly matters for consumers, but creating effective sustainability messages that appeal to consumers is not always straightforward. Message testing has uncovered two key learnings:

- 1) Consumer response is better when sustainability claims directly reference personal benefits for them or their families
- 2) Consumer response to sustainability messages is stronger for those brands that also deliver on all other category benefits

Additionally, there is growing evidence that [consumers may be suspicious of the legitimacy of sustainability claims or be confused about them](#), so honesty and clarity are important to drive consumers' response.

Sustainability claims and credentials are becoming increasingly important in competitive markets. As the focus on sustainability intensifies, advertisers are strongly advised to assess their green credentials and prioritise unadulterated honesty and perfect clarity in their messages to consumers.



GLOBAL VS LOCAL

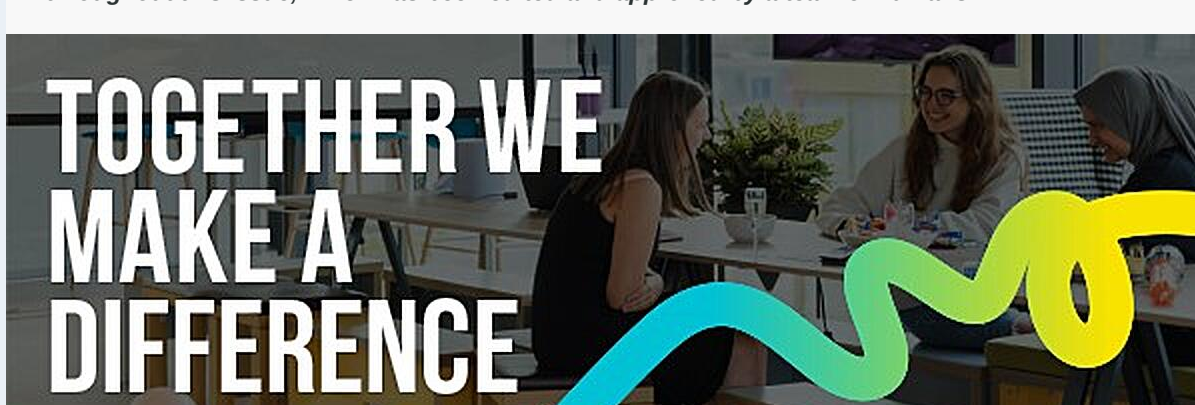
In a recent piece of analysis on the dynamics of [global branding in local context](#), the importance of brand awareness is highlighted as the linchpin of successful global brands.

Global brands are strong because they build brand awareness and equity, instilling trust and appeal. Awareness ensures a brand's presence, while equity aids in decision-making. International brands benefit from awareness spreading from key markets. Building awareness is tough, but they compensate with strong brand equity. Additionally, certain countries are seen as offering reliable, high-quality products, adding to a brand's appeal. Global brands often have prestige attributes, while local brands focus on community and customer-centric qualities. Brands that have both attributes, global but also regionally focused, tend to have longevity and resist market trends.

Data reveals that global brands saw a dip in value generated outside of their home country in the years immediately after Covid, but this has built back in recent years and now exceeds pre-Covid levels. Global brands such as Toyota, Shell, Apple, remain strong and continue to thrive outside their home countries. At the same time, emerging local brands are taking advantage of the opportunities offered by internationalisation.

To succeed, brands - both global and local - must focus on building assurance and appeal by understanding the market and demonstrating a long-term commitment. International brands coexist with local brands and represent an opportunity for global expansion, particularly in the Asia-centric era.

**ChatGPT has been used to summarise online information and produce some of the content throughout this issue, which has been edited and approved by a team of humans.*



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