MID-YEAR INTELLIGENCE REPORT

Eight key findings redefining acquisition, optimisation and growth for the months ahead

FOREWORD: NICK BECK, CEO AND FOUNDER, TUG

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The first half of 2026 has made one thing clear: the pace of change in

marketing is not slowing down.

But change alone doesn't create growth. The winners will be the brands that understand what's genuinely shifting, what's simply noise and where to place their bets for the months ahead.

This point in the year is a moment for brands to reflect, reset and prepare for the opportunities ahead. Q3 is where strategies are refined, and momentum is built. Q4 is where planning meets pressure, with some of the biggest commercial moments of the year, from peak retail and Black Friday to holiday campaigns and year-end growth targets. These moments are becoming increasingly complex, competitive and fast-moving. The ability to identify opportunities early, adapt quickly and make smarter decisions will be the defining advantage for the rest of 2026.

At Tug, we have always operated at the edge of what's possible. We challenge existing systems, rebuild outdated approaches and look for smarter ways to help brands grow. That means testing early, learning quickly and investing in the tech, talent and thinking that'll define the next era of performance marketing.

The first half of the year exposed a growing divide between brands experimenting with AI and those embedding it into the way they operate. Increasingly, the advantage belongs to organisations using AI to make strategic decisions, move faster and create more relevant customer experiences.

Our teams of strategists, analysts and technology specialists have been exploring how AI can unlock better insights, faster decision-making and stronger performance. Our emerging AI inclusion and advocacy platform kompote.ai is part of that ambition, helping us turn complexity into clarity and offering brands a smarter way to understand opportunities for growth.

This report is our view from the frontline, bringing together the key signals we've seen across channels, platforms, data and consumer behaviour so far this year. The second half of 2026 won't be won by those who simply spend more but by those who adapt faster, build smarter systems and turn change into opportunity. Our role is to help brands navigate that complexity, creating the frameworks that transform innovation into measurable growth.

Nick Beck, CEO and Founder, Tug

1: AI IS MOVING FROM EXPERIMENTATION TO EXECUTION

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The next competitive advantage will come from operationalising AI - not just talking about it.

At the start of the year, many organisations were still exploring what AI could mean for their teams. They were testing tools, running pilots and understanding where the technology could create value.

Now, we're seeing a clear shift. The conversation has moved beyond experimentation and towards execution. The businesses gaining the most from AI are not simply adopting new tools; they're embedding AI into everyday workflows to improve efficiency, accelerate decision-making and unlock more time for higher-value thinking.

As brands work through Q3 execution and prepare for the most commercially important period of the year, this shift becomes more critical. With Q4 bringing increased competition, peak trading moments and greater pressure to deliver measurable growth, the ability to move faster and operate more intelligently will become a significant advantage.

At Tug, we're building this capability from the inside out. We're moving beyond causal AI experimentation and embedding AI into daily workflows using tools such as Gemini in Workspace, Gemini Notebooks and Google Cloud Agent Platform. This quarter, every Tug employee is contributing to a proprietary global library of AI efficiencies, capturing smarter ways of working, automating repetitive tasks and identifying opportunities to improve how we deliver for clients.

This approach is already helping our teams streamline processes, reduce manual tasks and spend more time focused on what matters most: strategic thinking, creativity and performance.

But the opportunity goes beyond our own operations. We help brands understand where AI and automation can create genuine business impact — from improving internal workflows and accelerating insights, to building smarter marketing systems that support better performance.

The future of AI-enabled marketing won't be defined by who has access to the most tools. It'll be defined by who knows how to apply them most effectively.

The Benefits of Using AI Efficiently

Give AI Proper Background Context: Feeding AI real company data prevents accuracy from dropping to 60% and boosts work quality by over 30%.
Source: Harvard Business School & Boston Consulting Group (BCG) field study

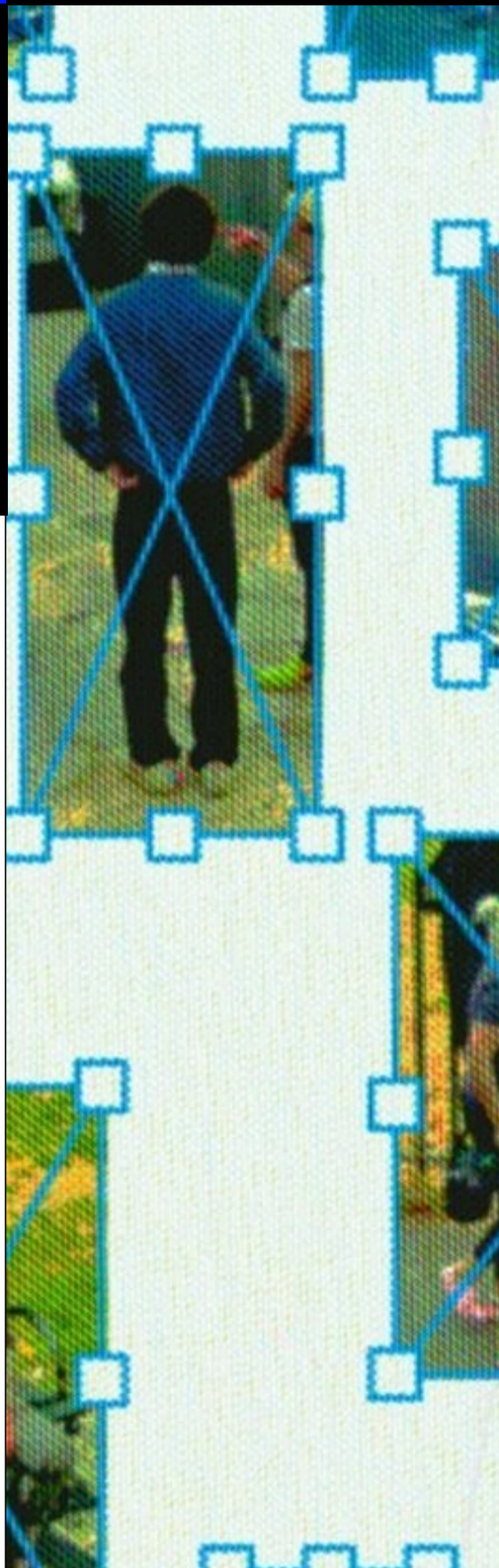
Re-use Smart Instructions: Saving and reusing pre-made prompts cuts system costs by up to 90% and speeds up AI answers by up to 31%.
Source: Enterprise LLM Infrastructure Benchmarks & Technical Documentation

Use Smaller, Right-Sized Tools: Using smaller, specialized AI models for routine tasks instead of giant main models (frontier models) cuts total AI spend by 50% to 80% and makes tasks 15x cheaper.
Source: Stanford University AI Index Report & Enterprise FinOps Research

Provide Clear Employee Templates: Giving teams detailed context and pre-built prompts helps them finish tasks 25% faster and boosts junior staff output by 43%.
Source: Harvard Business School & Boston Consulting Group (BCG) randomized controlled trial

Swap AI for Basic Automation: Using simple, traditional automation for routine steps prevents the hidden costs that drive 60% of AI projects 30% to 50% over budget.
Source: Harvard Business School & Boston Consulting Group (BCG) randomized controlled trial

2: THE NEXT GROWTH ADVANTAGE WILL COME FROM MICRO-COMMUNITIES



As audiences fragment beyond Google search, brands will need to move beyond reach and build relevance where influence is already happening.

The beginning of the year saw how many brands were still focused on the challenge of declining organic reach and increasing competition for attention across major social platforms. Fast forward six months and one shift is becoming increasingly clear: the future of social performance won't be built around reaching everyone. It'll be built around understanding the right communities.

Broad, sales-led content is becoming harder to scale. Algorithmic feeds increasingly reward content that creates genuine interaction, while audiences are spending more time in smaller, interest-led spaces where conversations feel more personal and trustworthy.

Heading into H2, we expect micro-communities to become a bigger driver of brand discovery, consideration and advocacy. These communities are where audiences share recommendations, validate decisions and influence each other, often before they ever interact with a brand directly.

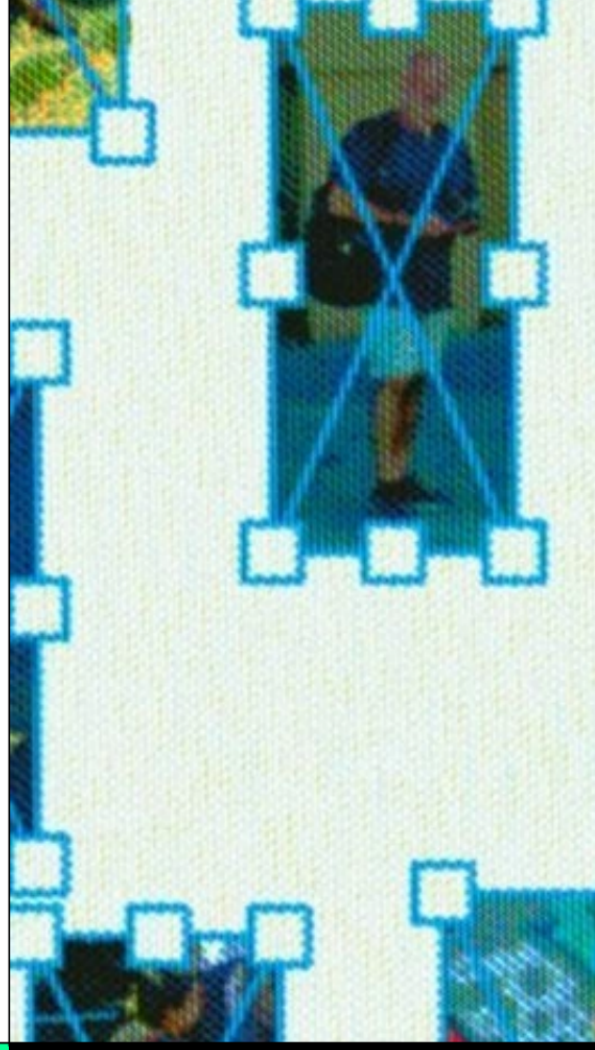
The numbers point to a changing landscape. According to GWI, 76% of internet users say online communities help them connect with people who share their interests. In China, where many digital behaviours emerge early, brands investing in knowledge-sharing communities have seen stronger marketing effectiveness, demonstrating the commercial value of participation over interruption.

Platforms such as Xiaohongshu (RED) demonstrate how community-led discovery can reshape search and purchasing behaviour at scale. Unlike traditional search engines, where consumers typically look for direct answers or brand information, RED users often search through experiences, reviews and recommendations shared by people with similar interests or needs. This behaviour is increasingly visible in Western markets too, where platforms such as Reddit, Discord, TikTok and specialist forums originally built for conversation and connection rather than commerce are increasingly used by consumers to research products and validate decisions.

And it's not just purpose-built community-fostering platforms like Reddit and Discord that are changing the landscape. Today's micro communities are also emerging organically across platforms like Instagram, LinkedIn and other social channels. UK 'tradies' are one clear example, with electricians, plumbers and builders forming splinter groups of professionals from across the country. They exchange advice, review tools, recommend products and champion the brands they trust. And the trend extends far beyond the trades. Running clubs, cold-water swimming groups, campervan enthusiasts, first-time renovators, sourdough bakers, menopausal women, neurodivergent professionals, plant-based families, side-hustle entrepreneurs and local parenting networks are all creating highly engaged micro communities centred on shared interests, life stages or identities. These trusted corners of the internet are increasingly where opinions are formed, recommendations are made and brand advocacy takes hold in a meaningful way.

The opportunity is growing across sectors:
Technology: Developers, founders, AI enthusiasts and specialist communities on platforms such as Reddit, Discord, GitHub and LinkedIn are shaping product adoption and brand credibility.
Finance: Communities focused on investing, personal finance, crypto, fintech and financial education are becoming important spaces for building trust and simplifying complex products.
Entertainment: Fandom communities across Reddit, Discord, TikTok and YouTube are influencing discovery, conversation and cultural relevance long before major campaigns launch.
Fashion and Lifestyle: Niche communities on TikTok, Instagram, Pinterest and creator-led spaces are driving trends, product discovery and purchase decisions.

For brands, the opportunity in H2 is to stop treating communities as simply another media channel and start viewing them as a source of insight, influence and demand creation.
At Tug, we help brands identify where important conversations are happening, understand the audiences driving them and translate those insights into stronger creative, media and performance strategies. We help brands connect with the people shaping these niche communities to build credibility, spark authentic conversations and create advocacy where it matters most. By combining audience intelligence, creator partnerships, paid amplification and measurement, brands can turn authentic engagement into measurable growth.
As competition increases through Q3 and Q4, the brands that understand their communities will have an advantage, because relevance is becoming the new route to reach.
The future of social performance will not belong to the brands with the biggest followings but to those that understand the people, places and conversations that matter most.



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3: THE BRANDS AI RECOMMENDS WILL WIN THE NEXT WAVE OF GROWTH

As AI assistants add a new layer of discovery, brands must optimise for recommendation, not just search.
How consumers discover products, services and brands has evolved rapidly. Generative AI

As AI increasingly relies on trusted third-party sources to generate recommendations, brands need to focus not only on being discoverable but on being cited. This elevates the importance of earning authoritative mentions across the web has moved beyond being a productivity tool and is becoming a recommendation engine.
Whether consumers are planning a holiday, comparing financial products, researching software or looking for restaurant recommendations, more journeys now begin with AI-generated answers rather than a traditional search results page.
This shift has significant implications for H2. As brands prepare for Q3 planning and the competitive Q4 trading period, the challenge is no longer just being visible on Google. It's ensuring your brand is understood, trusted and recommended by AI.
This is where Generative Engine Optimisation (GEO) comes in. GEO represents the next evolution of how brands think about visibility beyond traditional search. It helps brands become more discoverable within AI-powered search experiences by creating authoritative, structured and machine-readable content that large language models (LLMs) can understand and reference with confidence.
For brands, this means investing in more than keywords. It means creating expertise-led content, strengthening digital authority, building trusted third-party mentions and ensuring your brand has a clear, differentiated story that AI can accurately interpret and recommend.
We're already helping clients navigate this shift. Through integrated SEO, content strategy, digital PR and AI-ready optimisation, we're helping brands improve not only how they rank, but how they appear across the emerging AI discovery landscape.
The brands that stand out in H2 won't simply have the strongest search rankings. They'll be the brands that AI chooses to recommend.

through editorial coverage, industry publications, expert reviews, and reputable review platforms. Traditional PR and media relations therefore become even more valuable in the AI era, helping brands build the credibility signals that AI models use when forming responses.
Alongside owned content, brands should prioritise establishing a strong presence across high-authority third-party sources such as Trustpilot, G2, Capterra, Reddit, recognised industry publications, trade associations, and other respected sector-specific platforms to improve their visibility and likelihood of being recommended by AI.

Questions every brand should be asking before Q4

- Would ChatGPT, Gemini or Perplexity recommend our brand today?
- Does AI understand what makes us different from our competitors?
- Are we creating content designed for people, AI, or both?
- How often is our brand cited in AI-generated answers compared with our competitors?
- Are we measuring visibility beyond rankings and clicks?

The next competitive advantage isn't just being found. It's being the brand AI recommends first.

4: THE RISE OF TREATONOMICS

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In an uncertain economy, consumers aren't spending less. They're spending differently.

Across markets, we're seeing the continued rise of "treat culture", where consumers prioritise smaller, emotionally rewarding purchases that deliver an immediate sense of value, comfort or escapism. From premium coffees and beauty products to streaming subscriptions, travel experiences and limited-edition collaborations, people are seeking moments of joy without the commitment of larger purchases.

As brands work through the critical H2 trading period, understanding this shift will become increasingly important. Consumers remain value-conscious but value no longer means "cheapest". It means purchases that feel worthwhile, memorable and emotionally rewarding.

This presents an opportunity across sectors. Retail brands can position products as accessible indulgences rather than luxury purchases. Hospitality and entertainment brands can create experiences worth celebrating. Financial services brands can focus on helping customers spend confidently, while technology brands can highlight the everyday value their products bring to people's lives.

Beauty advent calendars are a clear example of treatonomics in action, evolving from a seasonal rarity into a highly anticipated self-purchase moment. Consumers now begin searching months ahead of Christmas, comparing options, looking for “best” lists and joining waitlists before products even launch. In the UK, search demand starts accelerating from August as brands release sneak peeks, influencer previews and waitlist campaigns. John Lewis reported a 50% year-on-year increase in searches for beauty advent calendars ahead of its seasonal launch, highlighting how early consideration is becoming increasingly important for H2 planning.

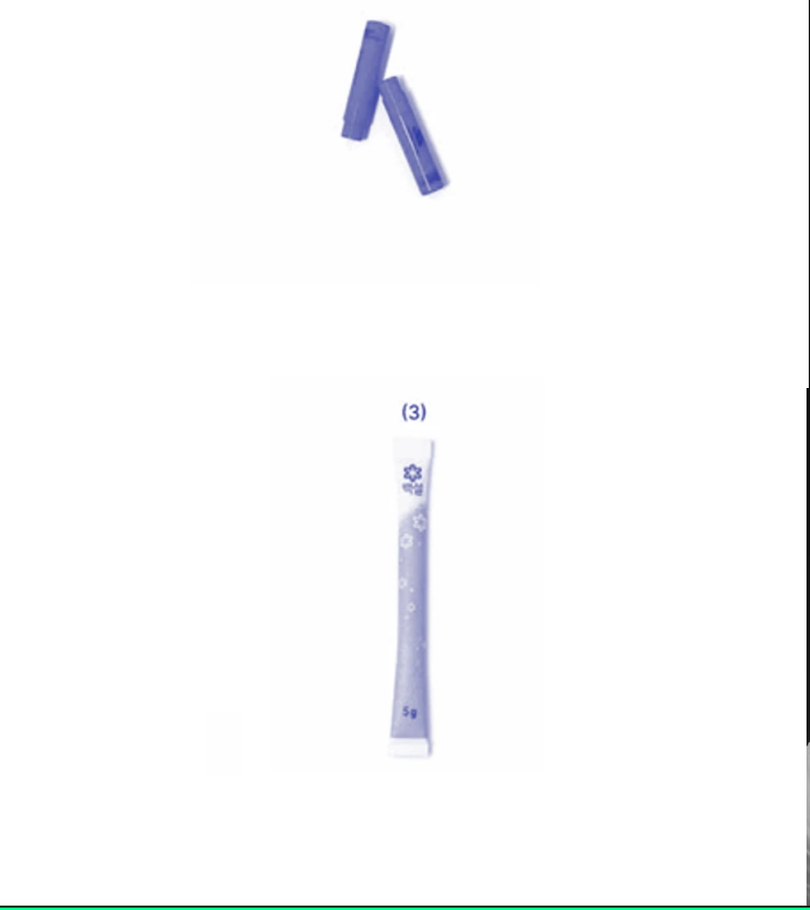
This behaviour extends well beyond beauty. Searches for men’s grooming subscriptions, fragrance discovery sets, premium coffee club memberships and wellness products also rise around key retail moments, as consumers look for affordable luxuries and self-reward purchases. Younger audiences are driving demand for categories such as collectible trainers, gaming releases and hobby products, where social discovery often comes before search and purchase. The same behaviour can be seen among parents exploring family experiences and retirees investing in travel, leisure, gardening and premium food and drink. Across generations, brands that identify these intent signals early can influence consideration before purchase decisions are made.

Tug’s Perspective: Asher Gordon, Managing Director

"Despite ongoing economic pressures, consumers continue to protect the experiences that bring people together. While some categories are seeing softer demand overall, people are still making room in their budgets for treats that feel meaningful. That's the opportunity behind Treatnomics. Whether it's sharing a meal with family or creating lasting memories on a day out, brands that consistently deliver value, quality and emotional connection are well placed to remain a priority for consumers. The key is making sure those brands are discoverable at the moments that matter, with content that frames the experience in the right way, whether someone is deciding where to eat out tonight or planning a family trip to one of Merlin’s theme park weeks in advance."

Not only are we helping brands understand what consumers are buying, but why they're buying. By combining audience insight, behavioural data and performance marketing, we help clients identify the moments, messages and creative strategies that resonate during periods of economic change.

As we proceed through the last half of the year the brands that succeed won't simply compete on price. They'll compete on perceived value, emotional relevance and the ability to create moments worth choosing.



Because when consumers become more selective, the brands that understand their motivations become the ones they remember.

- Nearly **six in ten consumers** have changed their behaviour to better navigate the higher cost of living (Kantar Media Market Research Company)
- **Experience-led purchases continue to outperform expectations** in many markets despite economic uncertainty.
- **Affordable luxuries** remain one of the most resilient consumer spending categories during periods of inflation.

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5: THE SKILL GAP IS GETTING BIGGER

The growing need for specialist expertise in the AI era

In the second half of the year, the main challenge we're seeing for brands is keeping pace with the speed of change. Looking ahead to H2, the brands best positioned for growth won't necessarily be those with the largest marketing teams; they'll be those that can access the right expertise and capabilities at the moments that matter.

As an agile independent agency, Tug helps brands bridge both the capacity and skill gap, providing specialist expertise while moving quickly to test, learn and experiment in a rapidly evolving landscape. Without the layers of complexity that can slow decision-making, we're able to adapt faster, trial new approaches and help brands stay ahead of change.

Marketing teams are under increasing pressure to deliver growth while navigating AI disruption, fragmented customer journeys, changing search behaviours and greater expectations around proving ROI. Yet for many organisations, team sizes and skillsets haven't grown at the same pace as the demands placed upon them.

The result is a widening gap. The difference between what in-house teams are expected to deliver and what can realistically be achieved with the time, resource and specialist expertise available.

65% of marketers say they have felt overwhelmed in the past year, while 55% report emotional exhaustion. (Marketing Week Career & Salary Survey 2026)

This challenge is particularly pronounced in sectors where digital performance has a direct impact on commercial outcomes, including retail, travel, financial services, automotive, healthcare and B2B technology. In these industries, search has become a continuously evolving ecosystem, influenced by AI-generated results, frequent algorithm updates and increasingly sophisticated consumer expectations.

For SEO teams, this shift is especially significant.

Search is no longer a discipline that can be managed through quarterly audits or annual content plans. Success now depends on continuous optimisation across technical SEO, content quality, structured data, digital PR, user experience and performance measurement while also adapting to AI-powered search experiences.

For many brands, expecting an in-house SEO manager or small search team to monitor every platform update, identify opportunities, implement changes and deliver commercial growth alongside business-as-usual activity is becoming unsustainable.

Rather than expanding permanent headcount, leading brands are rethinking how they build capability. Increasingly, we're being used as an extension of internal teams, providing specialist expertise, additional capacity and dedicated resource that enable organisations to respond more quickly to market change.

For performance-led organisations, this model also provides access to AI-enabled workflows, enterprise-level tools and cross-sector insights that are difficult to develop in isolation. Independent agencies like ours, which work across multiple industries, often identify emerging search trends and platform changes before they become mainstream, helping brands stay ahead of competitors rather than react to them.

Tug's Perspective: Neil Goddard, Head of SEO

"At Tug, we believe AI isn't replacing marketing expertise. It's amplifying the need for it.

Our role is to absorb the pace of change across AI, search and digital performance, allowing in-house teams to focus on strategic priorities while we continuously monitor, test and optimise the factors influencing visibility and growth.

As brands look ahead to the second half of 2026, the competitive advantage won't belong to the organisations with the largest marketing teams. It'll belong to those with the strongest combination of internal knowledge and external specialist capability. We want to help brands close the skill gap and provide the agility needed to stay ahead in an increasingly AI-driven search landscape".

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6: THE AUDIENCE SHIFT: THE NEXT £1BN CONSUMER IS ALREADY HERE (BUT MOST BRANDS ARE STILL OPTIMISING FOR YESTERDAY)

The uncomfortable truth: our most valuable audiences aren't always our loudest ones

Performance marketing has become incredibly good at finding people who already look like converters. But the next growth opportunity lies with audiences who are understood poorly, under-targeted or only just entering their spending power. The question for H2 isn't just "Who converts today?" but "Who will drive growth in 2027, and are we building relationships with them now?"

Gen Alpha is becoming the new "watch list" audience

Born: 2010–2024 | Ages in 2026: 2–16 | Ages in 2027: 3–17

Gen Alpha is the first truly AI-native, algorithmically shaped generation.

They've grown up with:

- YouTube and TikTok as search engines
- AI assistants as everyday tools
- creators as trusted authorities
- gaming ecosystems as social spaces
- personalised feeds as the norm

They're not just "kids". They're fast becoming **influencers of household spending.**

Research consistently shows younger audiences influence family purchases across categories such as technology, entertainment, food, travel and fashion.

Why marketers should care

Because brand preference is being formed earlier. The window to earn attention is shrinking.

The brands winning with Gen Alpha won't necessarily be those targeting them directly today. They'll be the ones building cultural relevance before the audience becomes expensive.

H2 opportunity:

Start building first-party understanding now:

- What creators do they trust?
- What communities do they belong to?
- What values shape their choices?
- How does AI change their discovery journey?

The Gen Z consumer is entering their highest-value years

Born: 1997–2012 | Ages in 2026: 14–29 | Ages in 2027: 15–30

Gen Z is no longer just a "youth audience".

The oldest Gen Z consumers are moving into:

- first homes
- career acceleration
- increased disposable income
- major financial decisions
- long-term brand relationships

Yet many brands still treat them as a social media audience rather than a commercial audience.

The missed opportunity:

Gen Z behaviour is changing faster than targeting models. They're:

- searching on TikTok, Reddit and YouTube before Google
- influenced by communities over celebrities
- sceptical of polished advertising
- highly responsive to brands demonstrating values through action

Performance implication:

The old funnel is collapsing.

Discovery → trust → conversion now happens across:

- creator
- communities
- social proof
- reviews
- peer recommendation

The brands that win will not interrupt Gen Z attention. They'll earn a place inside their decision-making ecosystem.

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7: THE PERSONALISATION PARADOX

What does "brand loyalty" mean in the age of AI when every answer is personalised?
As AI-powered search and assistants become part of everyday decision-making, discovery is becoming increasingly personalised. Rather than scrolling through the same search results, consumers are receiving recommendations tailored to their context, preferences and intent. That means two people asking the same question may be shown entirely different brands. For marketers, this creates a new challenge: if every journey is unique, how do you build and measure brand loyalty? Traditional metrics such as rankings, share of search and even awareness remain important, but they're no longer enough to explain whether a brand is being surfaced, trusted and recommended by AI.
Looking ahead to H2 2026 and into 2027, brands will need to shift their focus from simply being visible to being recommendation-ready. That means investing in authoritative content, clear brand signals and digital experiences that help AI understand not just what a business offers, but why it's relevant in different consumer contexts. The brands that win won't necessarily be the loudest. They'll be the ones consistently discovered at the moments that matter, whether someone is choosing where to eat tonight, planning a family day out or researching a major purchase weeks in advance.

The signals of change
12% of consumers have already switched brands because of recommendations generated by AI, rising to 23% among Gen Z, highlighting AI's growing influence on purchasing decisions (Adobe, 2025).
71% of consumers expect brands to deliver personalised experiences, reinforcing the importance of being relevant in increasingly tailored digital journeys (Adobe Digital Trends Report, 2025).

8. AI IS REINFORCING THE NEED FOR BRAND-BUILDING MEDIA INVESTMENT

AI reinforces the 60:40 Media Investment Principle.
While LLMs and AI-powered discovery are transforming the search landscape, they are not replacing the fundamentals of effective media investment. They are making audience understanding, relevance and quality content more important than ever. As consumers increasingly rely on AI assistants and generative search to research products and services, brands with stronger awareness, credibility and mental availability are more likely to be surfaced, trusted and ultimately chosen.
This makes the second half of 2026 a critical period for marketers. As AI becomes embedded into everyday consumer behaviour throughout Q3 and Q4, and adoption accelerates into 2027, investment in brand building will become increasingly important to ensure brands remain visible not only to consumers but to the AI systems shaping their decisions.
This reinforces the evidence from Les Binet and Peter Field's analysis of the IPA Databank, which found that long-term business growth is best achieved by balancing investment between brand building (around 60%) and sales activation (around 40%), with more recent IPA analysis suggesting an optimal split closer to 62:38. Rather than shifting investment entirely towards performance, marketers should view AI as increasing the value of sustained brand investment, creating stronger demand that performance channels can then capture.

Brand-building opportunities are no longer confined to traditional media.
While TV, BVOD, out-of-home, radio and audio remain highly effective at building broad reach, many digital and performance-led platforms now offer premium formats capable of delivering brand impact at scale. This means marketers can increasingly build long-term brand equity across channels not traditionally associated with mass brand building, while still leveraging their ability to capture demand when audiences are actively seeking information, solutions and products.
Examples include:
- **TikTok:** TopView, Top Feed and Pulse
- **Pinterest:** Premiere Spotlight and Showcase
- **YouTube:** Masthead and YouTube Select
- **Meta:** Reels, Stories and premium video placements
- **LinkedIn:** Thought Leader Ads and video campaigns
- **Reddit:** Takeovers and Conversation Placements
- **Retail media:** Homepage takeovers and Sponsored Brands
- **Premium publishers:** Homepage takeovers and native content partnerships

As AI increasingly influences how consumers discover and evaluate brands, the distinction between brand building and performance media will continue to blur. The marketers that invest consistently in building awareness, trust and credibility throughout H2 2026 will be best positioned to benefit as AI-driven discovery becomes a mainstream consumer behaviour in 2027.

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The second half of 2026 will belong to brands that turn insight into action. If you'd like to explore what these trends mean for your business, get in touch with your local Tug Managing Director to organise a discovery session.

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