

RANDALL ROTHENBERG

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President's Report
"Beyond Time & Space"
November 17, 2011

The five months since our last Board of Directors meeting have been among the most energetic and productive in the history of the Interactive Advertising Bureau. We moved back into our renovated space, and found that an interior designed for collaboration actually has increased collaboration. We opened the IAB Ad Lab, a community center for our extended industry, and have been hosting almost-daily events in it. We have convened several conferences, each one breaking an attendance and revenue record set last year.

Our activity has been matched by the industry at large. Internet advertising revenue in the U.S. hit \$15 billion for the first half of 2011, representing a 23 percent increase over the same period in 2010, according to the ***IAB Interactive Advertising Revenue Report***, conducted for the IAB by PricewaterhouseCoopers (PwC). This marked the highest first-half year revenue ever for the industry.

IAB Finances

Under the direction of EVP & COO Patrick Dolan, IAB finances are stronger than ever. The IAB has had a record year, with several investments underway in the growth of the organization that promise to enhance the services we provide our members. Because 2011 is shaping up to be an even stronger year for IAB financially, our financial stewardship will allow us to realize the value of these investments. Among the financial highlights:

- Dues collections through September have exceeded budget by 6%, adding over \$300K to top line revenue. Non-renewals have continued to be minimal and we continue to recruit new members.
- IAB events have continued to exceed plan. As of September, we were at \$3.4M in gross revenue, 18 percent ahead of plan.
- The IAB cash position at the end of September remains strong, primarily from the continued strength in dues collections and greater-than-planned events revenues.
- IAB Ad Lab and office renovations are completed.



Measurement

We labeled the IAB 2011 operating agenda “Digital Everywhere,” to reflect the increasingly apparent fact that digital environments – from social to behavioral, from online to mobile – are becoming, for most marketers, the centers of their marketing programs. The objective of our agenda is

IAB 2011 Operating Agenda
“Digital Everywhere”

Making Measurement Make Sense	<ul style="list-style-type: none"> • Cross-Industry Measurement Task Force • Measurement Standards Board • Brand Impact Study Best Practices 	<ul style="list-style-type: none"> • IAB Measurement & Research Blog • Post-Audit Education & Advocacy
Building Brands Online	<ul style="list-style-type: none"> • Rising Stars™ Brand Ad Program • Case Study Road Show • Online Creative Gallery • Retooled Marketer Boot Camp 	<ul style="list-style-type: none"> • Rich Media Tool Kit • IAB Proprietary Research Panel • Online Sales Kit
Protecting Privacy	<ul style="list-style-type: none"> • Selling Self Regulation - BBB Self-Regulatory Operation Rollout • IAB Membership Code of Conduct • Consumer Education Campaign Phase II 	<ul style="list-style-type: none"> • CEO DC-Fly-in • Mobile & Social Media Privacy Practices
Data Demystification	<ul style="list-style-type: none"> • Data Usage & Control Best Practices Training • DSP vs. SSP: Best Practices, Education, Training, Marketing, 	<ul style="list-style-type: none"> • Data Interoperability standards • T&C's 3.1 "Data Clause" • Data Integrity QA Program
Mobile Marketing Center of Excellence	<ul style="list-style-type: none"> • Hire Mobile VP • Convene Center Board, Establish Strategy • Tablets Advertising White Paper 	<ul style="list-style-type: none"> • "Tabvertising" Creative Showcase • "VPAID for Mobile" Distribution Standards • Research, Training & Evangelism
Supply Chain Simplification	<ul style="list-style-type: none"> • Ad Verification Guidelines • Networks & Exchanges QA Program Rollout • IAB Compliance Umbrella Program • Impression Exchange Rollout 	<ul style="list-style-type: none"> • T&C's & Project Reinvention Rollout • E-Biz Rollout • Creative Technology Summit



to facilitate this new centrality of digital, by increasing the attention of and transfer of marketing budgets from brand marketers; increase and enhance consumer trust in the medium; simplify and take costs from the supply chain through standardization; and hasten the uptake of mobile media and advertising.

Perhaps no item on our 2011 agenda, though, has been more important than our “Making Measurement Make Sense” initiative (3MS), led for us by SVP Sherrill Mane. In less than six months, the IAB-ANA-4As collaboration, facilitated by the blue chip consulting firm Bain & Company along with strategic advisory company MediaLink LLC, and led by 40 top executives from marketers, agencies, and publishers, completed the enormous task of determining the right metrics and solutions to establish as benchmarks for understanding the value of brand advertising in digital media. The 3MS team also drove industry consensus around creating a structure for ongoing governance of digital metrics via a reconstituted Media Ratings Council. Specifically, the 3MS team recommended that industry shift from metrics based on delivered impressions to metrics based on viewable impressions; and recommended the introduction of specifications for an online demographic Gross Rating Point (GRP) that will match with offline data, particularly TV, which will facilitate cross-platform planning and buying. The 3MS group additionally called for testing a classification system and

taxonomy for banner, rich media and streaming video ads that will foster transactional transparency. The team also began the work of defining brand ad performance metrics, starting with view-through reporting and cumulative social activity; and began codifying and enhancing the work IAB has already done on brand attitudinal measurement.

As of this Board meeting, the IAB is in consultation with the 4As and the ANA on financing and commencing Phase II of the project in 2012, with the year slated to be devoted to testing various proposed solutions that will make digital measurement standards implementable.

Research

IAB took a significant step forward last June 20, when Kristina Srugonis joined the bureau as Research Director. Kristina brings a wealth of relevant experience to us, having spent the last three years of her 15-year digital research career at MTV Networks Digital. Kristina has deep expertise in primary and secondary consumer research. She is a tireless seeker and aggregator of information.

Since her arrival, Kristina has contributed mightily to our initiatives, which have been uniformly newsworthy and, we believe, useful to our members. These include:

- *Affluent Consumers in A Digital World*: This study was the first comprehensive look at affluent consumers' attitudes and behaviors toward digital media. Conducted by Mendelsohn, the authority on affluent Americans the study showed that marketers targeting affluents would be wise to spend their budgets in digital media, where they will reach more of this audience in ways that are far more compelling and engaging than in other media. Immediately following the study's release, the newly opened IAB Ad Lab hosted its first executive breakfast briefing to share these valuable consumer insights. The turnout was excellent, and included luxury and financial services marketers among others. The senior management of IPSOS Mendelsohn Media Research joined Sherrill Mane in presenting the findings and leading a lively discussion.
- *Best Practices for Conducting Online Ad Effectiveness Research*: Released in July, the paper is a follow-up to the acclaimed methodological review done by Dr. Paul Lavrakas on behalf of the IAB. The Best Practices document covers all the practical advice and thinking that must go into deciding to employ site intercept studies and in executing them. The IAB spotlight on the deficiencies of the current methodologies has helped promote some investments by the vendors in improving quality and the work continues. The Best Practices document garnered both press and attention for the agency community as well.
- *HearWatchSay*: As part of our focus on building brands and bringing insights about digital media platforms to market, IAB has partnered with IPSOS OTX to launch an online community of communities that will give us direct access to consumers to listen and learn directly from them. This living research laboratory is known as HearWatchSay and consists of

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approximately 3,000 members who are segmented into four groups: TV aficionados, Gamers, Tech Fans and Movie Goers. The partnership with IPSOS also includes access to quantitative surveys both among the HearWatchSay members and other IPSOS panels. We are already learning much about how communities coalesce and speak among themselves. On the near term docket as testing continues are: conversations and research about TV and online video streaming behaviors, likes and dislikes; and holiday shopping wish lists and plans for on, offline and mobile shopping.

We also are pleased that Sherrill Mane became a monthly guest columnist for MediaPost and has published pieces on the affluents, demographic reach and frequency, and the above-referenced Best Practices.

Building Brands Online

Another growing success among IAB initiatives is "Rising Stars," the program to encourage increased use of digital environments by brand advertisers. Led by Peter Minnium, IAB's Head of Brand Initiatives, the Rising Stars program - part of a strategic priority we label "Building Brands Online" - aims to add new, brand-hospitable advertising formats to the IAB Universal Ad Package, a collection of standard formats that accounts for about 80% of all impressions sold in the U.S. These formats are meant to standardize advertising functionality, in ways that will make it easier and much less expensive for advertisers to place socially-connected, rich media and video-enabled ads across many multiples of sites. A team of expert judges from across the ecosystem selected six formats to be the IAB "Rising Stars" process; when we announced these half-dozen formats in February, we said that we would spend the remainder of 2011 encouraging adoption, and at the end of the year select from one to all six formats to add to the IAB's UAP.

More than 30 marketers, including such giants as Procter & Gamble and Ford Motor Co., adopted one or more of the six "Rising Stars" during the second quarter, as did multiple agencies and publishers, and all of the largest rich media vendors (<http://tinyurl.com/3ra3abv>). In October, we unveiled research based on early server metrics that showed the Rising Stars units performing well on post-click brand metrics of interaction rate and engagement time. (<http://tinyurl.com/43flnp4>). At the IAB MIXX Awards in early October, we showcased highly creative uses of the display Rising Stars by BMW, Ebay, HBO, Lexus, and the NBA (<http://www.youtube.com/watch?v=m4O3f5oMa0w>), indicating not just increased adoption but familiarity and excitement with the formats from marketers and agencies.

Because of the success of the display Rising Stars program, we accelerated our schedule and introduced the Mobile Rising Stars program at the IAB Mobile Marketplace in July, and modeled it after the competition-based program we used for the display formats. This month, we closed the entry period with more than 60 entries from two dozen companies.

Mobile Marketing Center of Excellence

The Mobile Marketing Center of Excellence (MMCoE) has accomplished much in its inaugural year. It has grown in staffing and membership, and has generated an impressive body of work, furthering its goal to accelerate the growth of the most exciting part of the interactive landscape.

Anna Bager, our first Vice President for Mobile and Managing Director of the Center, continues to lead the Center's efforts along with Joe Laszlo, the deputy director of the MMCoE. They are joined by Sarah Hudgins, our new Director of Public Policy, who focuses on mobile and telecommunications legal and regulatory issues in the IAB's Washington, DC office. And to support all MMCoE initiatives, the Center also shares Sabrina Alimi, a senior manager, with the IAB's Committees and Councils staff and has recently hired a coordinator.

The member base of the Center has grown strongly this year. From zero members at the start of 2011, it is ending the year with 12 Board of Director members and 16 supporting members. The Technology Advisory Board, a separate means of participation in MMCoE for mobile operators, device manufacturers, software and services vendors, and other IAB Associate Members, is growing as well.

MMCoE Membership

Board Members	Supporting Members
<ul style="list-style-type: none">● AT&T AdWorks● Google● Microsoft Advertising● Millennial Media● Mojiva● The New York Times● Time, Inc.● Tribune Company● Univision● The Weather Channel● Yahoo!● Zillow	<ul style="list-style-type: none">● 24/7 Real Media● BabyCenter● Cars.com● CNN● Federated Media● Function(x)● The Huffington Post● IDG● Jump!p● Mosaic Mobile● NBC Universal● NetScouts● OWN: Oprah Winfrey Network● Pontiflex● Tremor Video● Unicast

Note: Current as of 21 October 2011

The Center was established to unify, lead, educate, and evangelize the market. It acts as a “mini-IAB” within the IAB. With the agreement of the Board of Directors, it has concentrated its projects around key industry priorities in 2011, including: ad formats and creative, operations and supply chain, measurement, regulation, and education. Through the lens of those priorities, the Center’s major projects and accomplishments during the second half of 2011 included the following:

Four Industry Imperatives for Mobile Media...



CREATIVE: Balance scale and differentiation



OPERATIONS: Drive costs out of buying



MEASUREMENT: We have to get this right



REGULATION: Respect consumer privacy concerns

Among its major accomplishments, the Mobile Center in recent months:

Creative and Ad Formats

- Closed out the submissions period for Mobile Rising Stars, an ecosystem-wide competition to establish innovative, exciting new standard creative formats for smartphone and tablet advertising. Mobile Rising Stars Finalists will be announced at the 2012 IAB Annual Leadership Meeting.
- Launched a Tablet Advertising Creative Showcase, a new part of IAB.net dedicated to highlighting inspirational, exciting examples of ads on that important device category.
- Released a third edition of *Prevailing In-App Ad Formats*, a survey of IAB members revealing insights into what ad sizes are widely offered in tablet and smartphone apps.

Operations

- Released the final version of Mobile Rich-media Ad Interface Definitions (MRAID), version 1.0. MRAID creates a common API for mobile rich media ads to communicate with mobile apps, which will greatly simplify life for creative developers working on mobile rich media ads. By reducing the costs and friction involved in creating such campaigns, it will have a marked impact on the growth of the mobile advertising market. The MMCoE also launched a project to design MRAID 2.0, extending and building on the vital foundation of MRAID 1.0.
- Launched the Mobile Ad Operations Working Group, a standing group of mobile ad ops professionals that meets regularly to discuss and surface issues confronting the industry, and to brainstorm and execute IAB solutions to continue to improve the back end of the business.

Measurement

- Released a briefing paper on the *State of Mobile Ad Measurement*, an overview of the challenges, both technical and operational, of measurement in the mobile arena.
- Continued to work on Mobile In-App Ad Measurement Guidelines, with the MMA and MRC, a project that is taking into account the five key principles established by the IAB's larger Making Measurement Make Sense initiative. The IAB expects to release these guidelines in mid-2012.

Regulation and Public Policy

- Established a dedicated presence in Washington DC by adding Sarah Hudgins to the MMCoE team.
- Continued the MMCoE's work on a mobile code of conduct, together with the DAA and several other associations including the 4A's, DMA, and ANA.
- Began planning an MMCoE Board meeting to be held in DC in early 2012, which will give Board members a chance to meet policymakers and Congressional staff to discuss issues confronting mobile media.
- Began development of Board-directed white paper primer on the mobile marketplace in order to better understand the unique business models in mobile technology, how all parties interact in the ecosystem, what laws and regulations currently apply to those parties, and how this marketplace will impact our policy and lobbying agenda going forward.

Education

- Released the findings of Ovum's research project, *Marketer Perceptions of Mobile Advertising*, a survey of 300 US marketer decisionmakers spending some of their budgets on mobile advertising today. This study highlights key areas where marketers are pleased with mobile today, and also validates the priorities the MMCoE has set as key issues to ensure mobile's further growth.



- Released a first *Tablet Buyers Guide*, offering concrete advice to media planners and creative designers on maximizing tablet advertising opportunities today. Also held an event in the IAB Ad Lab that reviewed the major findings in the Guide, as well as offered firsthand perspective from agency and media companies on tablet advertising today.
- Established a Mobile Research Working Group, which will meet regularly to help highlight research members are already doing to demonstrate the value of mobile advertising, as well as to advise the MMCoE on industry-leading research projects the IAB will be undertaking.
- Conducted a survey of IAB members, asking questions around the current sales process for mobile advertising, and sales needs going forward.
- In addition, Anna and Joe continue to speak frequently on behalf of the IAB MMCoE at numerous industry events both in the US and abroad. These include both public industry conferences, as well as private talks with members' sales forces and other internal constituencies.

Importantly, the Center has also worked to build and maintain relationships with other trade associations, both within the US (e.g., the 4A's Mobile Working Group, Mobile Marketing Association, and CTIA) and globally, including the GSMA. We have also been advising several of our sister IABs interested in emulating the MMCoE model in their markets. An important accomplishment on this front is the establishment of the Mobile Committee-Global, a forum for mobile staffers at the international network of IABs to come together on a monthly basis to keep one another informed of projects and market developments. This new inter-IAB committee will help ensure that while the worldwide IABs retain the independence to respond flexibly to local market conditions, we will also closely coordinate where needed to avoid duplication of efforts and ensure consistency in our approaches to major issues.

Digital Supply Chain

Responding to a clear market need for a return to initiatives that promote efficiency in the selling and buying of digital media, the Ad Ops Council and the IAB Digital Supply Chain team under the leadership of Vice President Steve Sullivan identified three major areas of focus for 2011. They are Verification Services Guidelines, Impression Exchange and eBusiness. In some cases this has led to major progress and in others it has led to important realizations about the motivating factors behind industry adoption of standard practices. The accomplishments since the last Board meeting include:

- *Verification Services Guidelines*: With major support from the Media Rating Council (MRC), and the participation of a large group of ad verification vendors, publishers, ad servers, ad networks, advertising agencies, and other interested organizations, the IAB released the industry's first ever, *Guidelines for the conduct of Ad Verification*. This document is intended to be used in conjunction with the IAB Impression Measurement Guidelines as audit criteria for any company wishing to subject itself to a third-party audit. We consider this the first step in the process of bringing some semblance of transparency

- and reasonableness to the activities of a group of organizations that have been inserted into the supply chain and have been granted a measure of influence over the currency of the digital industry, yet without the type of oversight applied to other handlers of that currency. As the title suggests, the guidelines are agnostic to type of organization conducting ad verification. We anticipate that these guidelines will remain useful, and help guide the industry as consolidation occurs and many such services are absorbed into existing, established technology platforms and/or service providers.
- *Impression Exchange Solution (IES)*: The Impressions Exchange is meant to solve one of the oldest problems in digital advertising – the discrepancies in impressions counts between publisher servers and agency servers. The challenge of achieving widespread adoption of the impression solution is being met on two fronts. The first is to clarify and solidify the implementation guidelines used by both publishers and agency ad servers to achieve IES compliance within their respective systems. The goal of this activity is broaden adoption of IES among the slightly smaller agency ad servers such as rich media vendors, video ad servers and smaller agency (third party) ad servers. The digital supply chain team, working with a broadly inclusive industry working group, have successfully delivered version 3 of the *IAB Impression Exchange Implementation Guideline* (<http://www.iab.net/ies>). The release of this document along with additional promotional activities happened on and around the November 2011 Ad Operations Summit. The supply chain team also has made a concerted effort to promote IES more aggressively in the marketplace, raising awareness of the importance and value of impression exchange to the agencies – particularly its usefulness in improving invoice accuracy, thus quickening the speed of payments from marketers to agencies. Our hope is that this will increase agency demands for adoption, and encourage ad-serving companies that have not yet adopted IES to implement it.
 - *eBusiness*: Also known as Electronic Data Interchange (EDI) for the digital advertising industry, eBusiness is about automating and systematizing the ad operations workflow. Tangible work has continued on essential elements of the eBiz infrastructure, such as the IAB registry and most recently the eBiz emulator. The latter is a limited set of functionality that can be used by any organization engaged in the development of its own eBusiness module. The emulator presents the same kind of application programming interface that any fully functioning eBusiness trading partner would present. In addition to this ongoing work, we have recently launched a new working group dedicated to finding industry consensus around a common invoice format for the digital advertising industry. Once the group has finalized the required and optional values for the digital industry invoice, the eInvoice working group goal will be to back those finding into the other main documents of supply chain workflow such as IO, Proposal and RFP.

In addition to the big three initiatives, the digital supply chain team has made some great progress on two other fronts.

- *Updated Rich Media/Display Guidelines:* The IAB released its updated *Rich Media Creative Guidelines* at the Ad Operations Summit on November 7th. These new guidelines will empower advertisers and their creative shops to efficiently re-imagine online advertising and usher in a new generation of rich interactivity and "sticky" consumer experiences. The updated creative guidelines are the work-product of a cross-industry effort to bring the industry in line with the creative demands of brand advertisers. The working group had two main goals: 1) create guidelines that empower creative shops to exercise the limits of their creativity and 2) further simplify the digital supply chain by bringing all the IAB creative specifications (including Rising Stars) together in one easily accessible, adoptable and understandable matrix.
- *Ad Load Performance:* Ads that load faster help web pages load faster, leading to higher user satisfaction, lower page abandonment, and - most importantly for agencies and marketers - more brand engagement as measured by conversions and click-through rates. Although it did an excellent job of identifying friction points with ad load performance as well as best practices to improve performance, the 2008 IAB white paper *Ad Load Performance Best Practices* largely missed its target audience: creative agencies. In late 2010, a working group was re-assembled and decided to focus its efforts on a study that would prove that ad load performance does have a material effect on important business metrics such as ROI, in order to encourage media agencies and creative agencies to take notice of and implement best practices. The anticipated work-product of this effort will be an update to the current best practices document, in addition to a new report on the business effects of optimized ad load performance.

Committees & Councils

IAB Committees represent areas of concentration among member companies. Councils represent functional areas of expertise within member companies. Coordinated and led by Vice President for Member Services Michael Theodore, these groups have focused their attention on adoption and evangelism, with presentations at industry conferences and event, whitepapers, and other market-facing activities. More than 90 percent of IAB member companies now participate on at least one IAB Committee or Council.

Highlights of recent Committee and Council activity include:

- *Sales Executive Council:* This group of senior sales executives established a Working Group to vet the development of the IAB Online Sales Media Kit. The theme of the media kit is "Humanizing the Face of Digital Media." The overarching narrative we will be communicating is that digital media can fulfill all the needs that Maslow described in his groundbreaking work on human needs ranging from physiological ones for food and shelter to the need for self-



actualization. The overall positioning is that digital media can and do provide marketer solutions that answer fundamental human needs and can work in combination to tap into multiple needs fulfillment at once. For example, self-actualization may occur through experiencing branded content in innovative ways that transcend the consumption of content in static media. This experience may be coupled with sharing and communicating about the content to one's larger social circle. The media kit will be modular and easily customized for individual members' use in enhancing sales positioning and presentations. For each type of need, the digital media that answer it will be described. Case studies will illustrate effectiveness through the prism of needs fulfillment. In addition, each media kit module will contain vital stats and cross media comparisons. The council also completed the first-ever IAB Sales Positions Salary Survey. The results benchmark salaries and compensation methodologies for digital ad sales positions at every level. The council determined in advance that aggregated data and reports will be available to participating companies only. Twenty seven percent of IAB General Member companies completed the survey and received the report. The entire project was developed and executed in house. Led by SVP Sherrill Mane with hands-on involvement from two members of the Sales Exec Council, Brian Matthews of NBC Universal and Joy Chilowicz Robins of BBC Worldwide, the IAB team wrote the questionnaire and the final report. We hope to build on this and generate annual surveys that garner more robust response rates that permit us to track and understand sales talent marketplace trends.

- The IAB *Multicultural Council* played a major role in programming two conferences, promoting both the IAB and its members: NYC Latin Media and Entertainment Commission's CEO Summit event during Advertising Week, and the Association of Hispanic Advertising Agencies (AHAA) annual October conference in Miami, Florida.
- The *Data Council* took another step forward to increase marketplace efficiency with the release of the *Data Segments & Techniques Lexicon*, a new practical tool that provides media planners with a framework for clearer communication with publishers and data partners. This initiative is one of many that the IAB is undertaking in order to make buying and selling more streamlined and consistent across the digital marketing arena, enhancing the potential for further revenue growth for all stakeholders. In addition the Data Council soft-launched the new IAB Data Driven Advertising Website. The goal of the site is to create an interactive destination that explains in a simplified manner how data is used across the ecosystem. The Council also kicked off major research project, "From Information to Audiences—Marketing Data Use Cases" with the Winterberry Group.
- *Networks & Exchanges Committee*: Through this group, 23 IAB General Member Companies were certified as of October 2011 as in compliance with IAB Networks & Exchanges Quality Assurance Guidelines (QAG). An additional 10 companies plan to comply in 2011, bringing the total to 33 companies enrolled in the program to date. Many non-IAB member companies have inquired about the program and several have joined the IAB in order to participate. We will continue to grow enrollment on the sell-side and raise awareness of the importance of the guidelines on the buy-side. Digital video & mobile addenda to the Quality Assurance Guidelines have been developed to supplement the current guidelines and will be published in

December for implementation in April 2012. To further promote these guidelines, on October 12th the committee held QAG Day, a one-day outreach effort to educate agency buyers, planners, and strategists about the benefits of working with QAG-certified networks. Team members from 20 QAG-certified networks visited 12 agencies and one trade fair in seven cities, where members served espresso drinks, biscotti, and market education to over 1,000 agency personnel. Response from agencies has been very favorable. The evolution of the QAG program took its next step with the formation of the QAG 2.0 Task Force in October. The taskforce will build upon the strong foundation for the first generation program while taking into account submarket developments and the entrance of new players in the ecosystem. Finally, the IAB announced during Advertising Week that it would acquire the Open RTB Consortium, and help facilitate the movement to automate and accelerate the rate of transactions on exchanges through the creation of an open source code for counterparties to use as a foundational schema.

- The *Audio Committee* held its first-ever Agency Day in the IAB Ad Lab. More than 50 creative, digital and traditional agency executives reviewed an updated Audio Platform Status Report, and learned the latest research trends and best practices in interactive audio advertising from industry leading audio companies such as Pandora, Clear Channel, and Slacker.
- The *Digital Video Committee* is finalizing specifications for the next generation of VAST and VPAID, with rollout expected early Q1 2012. The education and compliance plan for the major revisions are being developed at the same time. The Industry Narratives Working Group, led by Peter Minnium, is capitalizing on the success of the new Rising Stars display ad formats to create new formats in the Digital Video advertising space.
- The *Interactive TV Committee* is preparing its first Agency Day, and will be partnering with the highly-regarded TV of Tomorrow Show the first week of December. The Committee is developing a separate agency track, at which time a completely revamped Platform Status Report and a new report on RFI Capabilities (Request for Information) will be issued.
- The *Lead Generation and E-mail Committee* published the *Lead Generation Addendum for Co-Registration & Email to the 4A's/IAB Standard Terms and Conditions for Interactive Advertising Version 3.0* in October and will go live, after public comment, the first week of November.
- The *Local Committee* has been reorganized into the Mobile Committee and the Mobile Marketing Center of Excellence. This move was made because of the enormous opportunities for local advertising that mobile devices and geo-location services offer.

Other Council activity (e.g., in public policy, research, and ad operations) is dealt with in other sections of this report.

Public Policy

The Digital Advertising Alliance self-regulatory program reached a significant milestone recently, enrolling the 200th company in the icon program. We have moved significantly beyond publishers and ad networks and are now bringing major agencies and marketers into the program. The

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consumer choice page to allow people to opt out of targeted advertising also has grown to include over 85 third parties and should cross the 100 mark before the end of the year. The program has also become completely self-funded this year, with revenue collections exceeding expected operating expenses for the 2011.

Our primary lobbying effort during the past several months has been to educate members of Congress about the success of industry self-regulation. To this end, we hosted a Meet & Greet in the IAB Ad Lab with Congressman Chris Murphy (D-Conn.), the leading candidate for the open U.S. Senate seat in Connecticut. We briefed nearly every office on the Senate Commerce Committee this summer about the DAA program. On the House side, on June 29th, the IAB hosted a privacy roundtable with Congresswoman Marsha Blackburn (R-TN) in the IAB Ad Lab to discuss regulation and self-regulation. The Congresswoman is the Vice-Chair of the House Commerce, Manufacturing, and Technology Subcommittee, which has held a series of consumer privacy hearings this year. On October 13th, the DAA testified before the House Commerce, Manufacturing, and Technology Subcommittee on consumer privacy expectations. We also have met with the staff for nearly every member of the House Subcommittee to educate them about the importance of the mobile ad platform.

The IAB's Public Policy Office has partnered with the Mobile Marketing Center of Excellence to develop the industry's advocacy strategy on mobile issues, including privacy, children's safety, and the responsible use of mobile technologies such as location-based data and unique device identifiers (UDIDs).

Professional Development

With the construction of the Ad Lab completed, the IAB has resumed its Professional Development program. The fall class schedule—featuring outside trainers such as the Laredo Group and the Internet Advertising Institute—is now slated for 10 training sessions, with an opportunity to seat up to 40 per class. That is almost double our old classroom capacity.

The IAB has entered a relationship with testing company Professional Testing Inc. to develop a certification program—involving a comprehensive skills assessment test—for interactive advertising salespeople. PTI will work with the IAB over the next 8 months to develop a test that assesses requisite cross-digital platform knowledge and skills.

The IAB also has been customizing the Ad IQ survey, the results of which were unveiled at this year's Annual Leadership Meeting, to allow individual member companies to assess their own sales teams against the baseline of companies that participated in the original survey. Provided at no cost, the assessment provides an analysis of what and where knowledge deficiencies might reside.



Membership

Membership continued to grow in the 5 months since the last President’s Report, with 16 new General and 25 Associate members joining the IAB. For the year so far, 116 companies have joined the IAB. Among the better known new members are the Tribune Company, Local.com (rejoining after a 2 year absence), Grooveshark, Chitika, AdPerfect and Intuit.

New Members: May 30 – September 30

Alloy Digital	General
Beliefnet, Inc.	General
Chitika, Inc	General
Grooveshark	General
Local.com	General
Martini Media	General
Matomy Media	General
Mercury Radio Arts	General
Revision3	General
The Media Dash	General
Tribune Company	General
Function(x) Inc.	General
Grab Networks	General
Innovate Networks	General
MailOnline	General
Rhythm NewMedia	General
Adchemy	Associate
ADITIVE, Inc.	Associate
ADmantiX	Associate
AdPerfect	Associate



AdTruth	Associate
Amobee	Associate
Big Fish Games, Inc	Associate
Celtra	Associate
ChoiceStream, Inc.	Associate
DoublePositive Marketing Group	Associate
DynamicVideo	Associate
Eyeview Inc	Associate
FastPay	Associate
Intuit	Associate
Knowledge Networks	Associate
LivelIntent	Associate
Localytics	Associate
Markit On Demand	Associate
Maxifier	Associate
Mobsmith	Associate
Netbiscuits	Associate
PIVnet	Associate
SeaChange International	Associate
Winterberry Group LLC	Associate
Worldata	Associate

The Long Tail Alliance grew as well, adding 40 members since the last report, thanks in large part to IAB participation in BlogHer’s annual conference. Member Services also promoted the Long Tail publishers and other small business using interactive advertising during meetings with Congressional representatives Steve Chabot and Steve King and their constituents in Cincinnati and Ames, Iowa, respectively.

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Member Services' CRM system now regularly tracks more than ten thousand individual employees of member companies among a complete spectrum of activities, including participation in Committees and Councils, Events, webinars, networking receptions, and professional development training.

Marketing

Since June, the Marketing team, under the leadership of Senior Vice President & CMO David Doty, strategically used all marketing levers—press, social media, owned and rented databases, push channels such as email and newsletters, IAB.net, IAB Events, video, marketing alliances with other associations, and more—to achieve the goals of the organization, promoting our six initiatives and a variety of other programs. Director Chris Glushko coordinated marketing operations.

Press results in the third quarter were the highest on record, with an average of 1,580 stories per month, a 32 percent increase from the same period one year ago. These results were largely due to the team's strategic focus on the IAB Mobile Marketing Center of Excellence, the Rising Stars program, Privacy, and Measurement. As an example of the success of this strategic focus, the new Rising Stars ad units—and the IAB's drive for more brand advertising in Interactive—gained significant momentum since June through targeted outreach and a deliberate use of IAB Events as a messaging platform. Marketing strategically tied Rising Stars to the IAB Innovation Days conference, driving Peter Minnium's stage time into press coverage and press access. As a result, the June 8 announcement of the adoption of Rising Stars by 36 major brands was covered in 27 articles in various trade press including Advertising Age, BtoB, ClickZ, Folio, MediaPost, PaidContent, Wired, and an exclusive interview with Peter Minnium in DM News. A persistent social media campaign was deployed to keep Rising Stars top of mind with IAB fans and followers, making the Rising Stars ad units page on IAB.net the fifth most visited page of the site during the third quarter.

CMO David Doty expanded the IAB's relationship with top creatives through his leadership of the MIXX Awards judges and the IAB Agency Advisory Board. The Agency Advisory Board has already contributed such tangible results for the industry as helping shape IAB work on the Rising Stars program, which introduced cutting-edge display ad formats built to inspire creativity in digital brand advertising, and on digital ad measurement standards. Most recently, the Agency Advisory Board was noted in the New York Times on October 17 with coverage of the appointment of Big Spaceship's Michael Lebowitz to chairman. David Doty also took the message of creativity on the road—at the Sohu Conference in Beijing, China, on July 28. In addition—as part of an ongoing agency outreach program that will carry over into 2012—he has scheduled numerous visits to agencies in order to communicate IAB's commitment to their place in the advertising ecosystem.

Our social channels continue to strengthen as a result of a broad engagement strategy. A leading measure of social influence, Klout, currently ranks IAB highest in influence out of any major marketing and media trade association. IAB's current Klout score is 61 compared to the 4As' 55, MMA's 53 and ANA's 44. Twitter followers and Facebook fans continue to grow at a rapid pace. In the third

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quarter, Twitter followers increased 18 percent to 18,673 while Facebook fans increased 7 percent to 12,279. LinkedIn is quickly becoming a strong component of our social arsenal. In the third quarter, company followers increased 40 percent to 1,441 and group members increased 15 percent to 2,959. The increased effort in social media is delivering results. For example, 74 percent of 2011 MIXX promotional campaign clicks were derived from social channels.

Overall traffic to IAB.net climbed significantly in the third quarter. Average monthly unique visitors are up 25 percent to 101,495 from 81,013 during the same period last year. At the same time, average monthly page views are up 13 percent to 336,311 from 296,970 during the same period last year. Much of the traffic can be attributed to a commitment to pushing out quality, member-focused content. For example, the IAB Blog is now an analysis and opinion destination. Marketing curated contributions from a variety of sources—Committee and Council leaders such as Krux Digital’s Tom Chavez and xAD’s Chi-Chao Chang, IAB staff experts Sherrill Mane and Steve Sullivan, and outside writers doing select interviews with international IAB leaders. As a result of this content strategy, traffic to the blog in the third quarter increased 230% to 10,712 visits from 4,651 during the same period last year.

Video remains a key component of IAB.net. Since June, marketing produced 121 videos for IABtv, garnering nearly 42,000 channel views. In addition, we provide full video of all on stage presentations as a benefit to IAB members through the Interactive Insider, the members-only area of IAB.net. Several structural upgrades were also performed on IAB.net since June, including a redesigned broad-view calendar, an easy-to-understand one-stop-shop for compliance and certification programs, and a new way to browse site information organized by strategic initiatives.

Events

2011 will be a record-setting year for the IAB Events business. Under the leadership of Vice President Lisa Milgram, with Senior Director Virginia Rollet Moore and Director Phil Ardizzone, IAB events will contribute over \$6.3 million in gross revenue—14% ahead of plan and a 27% year-over-year increase. Net profit is \$1.7 million—a number which has tripled from 2006. Gross margins are nearly 50% and net margins are at 27%.

In 2011 the team expanded the events portfolio—24 events took place in 10 major markets, reaching over 6000 executives. Tracy Keller, Senior Manager, Events Marketing, has been a driving force in cultivating an impressive attendee base—nearly 30% of all attendees came from the buy-side of the industry and approximately 40% were at the Vice President level or above.

Our tent-pole events continue to be extremely successful, both financially and in value provided to the interactive ecosystem. The IAB Annual Leadership Meeting, which attracted over 700 attendees and contributed \$1.4 million in revenue, was recently rated by Business Wire as the #1 conference for digital marketing professionals

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The IAB MIXX Conference & Expo remains the central gathering place for the digital industry during Advertising Week New York. In 2011, the conference set records across the board—nearly 1,200 attendees passed through the conference, a 15% YOY increase. Sponsorship revenue was at an all-time high of nearly \$1.4 million, 16% ahead of goal and 20% YOY increase. All told, MIXX generated over \$2 million in gross revenue, 20% ahead of 2010, and \$1.1 million in gross profit, 15% ahead of 2010.

Through programming and brand building we've established MIXX as the primary platform for breaking digital news during Advertising Week. Five major pieces of research premiered at the event, from companies including comScore, Booz & Company and Buddy Media, Yahoo and BBDO, Amazon and Nielsen. Hulu, Federated Media and TED also released market-making news from the stage.

The 2011 International IAB MIXX Awards broke records as well. Submissions were up 25% compared to 2010, beating the 2008 record by more than 10%. International submissions increased by 30%.

In 2012, the focus of the events business will be to increase revenue and profit, develop innovative programming formats, as well as launch new events in the IAB Ad Lab—including a B-to-B Digital Marketing Summit.

All indications are that the events business will continue to drive over 40% of the organization's operating revenue with gross margins of nearly 50%.

The New Class

Changes abound at the IAB. Senior Director Gina Kim left the IAB after 3 years; an active search is in progress to find a replacement. But new, expert faces abound. In addition to Sarah Hudgins and Kristina Sruoginis, Jennifer Deutsch has come on board as IAB's new Director of Professional Development. Sabrina Alimi has been hired as a Senior Manager, splitting her time between Member Services and the MMCOE. Jeff Fryer, who has been instrumental in advancing our social strategy was brought on full time as Manager for Marketing. Rounding out the new additions, Sharon Scoble has joined as our new Office Manager.

With this team, we anticipate 2012 will be the most exciting and productive year yet for the IAB. We thank our Board, and our entire membership, for your continued support.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Randall Rothenberg". The signature is written in a cursive, flowing style.

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