



President's Report

May 21, 2015

Path to Digital Dominance: The Journey Continues

By Randall Rothenberg

These are remarkable times for the interactive industry. In 2014, digital advertising revenues in the U.S. rose to an all-time high of \$49.5 billion. That represents a 16 percent increase over 2013's record-setting total of \$42.8 billion—and marks the fifth consecutive year of double-digit growth for the industry as reported in the IAB Internet Advertising Revenue Report prepared by PwC U.S. and released in April of this year. This steady growth is an affirmation of the rewarding relationships marketers are effectively building with consumers through interactive media.

It's also a testament to the new opportunities that lie ahead. The mobile marketplace is growing at an unprecedented rate, with triple-digit revenue growth for a fourth year in a row. Mobile advertising now accounts for \$12.5 billion in U.S. advertising revenue—25 percent of the total 2014 revenue, compared to 17 percent of revenue in 2013. Online video ad revenue, another nascent but promising advertising medium, reached \$3.3 billion in 2014, a 17 percent increase from 2013.

As we meet midway through 2015, IAB has just concluded management of a successful Digital Content NewFronts which was extended an extra day to accommodate extraordinary demand. Attendance and attention to this two-week event reached an all-time high, with more than 13,000 attendees at 33 events.

Meanwhile, the messages we have been communicating about viewability are taking root and resonating. The effects of the 2015 Transaction Principles issued by IAB have helped



move the industry from posturing to negotiation with acceptance that 100 percent viewability is not possible this year.

Much progress has also been made on other fronts as well, including advances in technical standards to combat fraud and piracy, support for education to ensure a healthy talent pipeline for our industry, and innovation in an ad product portfolio to continue to keep pace with the expectations of consumers.

While our work is far from done, investments made in 2014 to fulfill on the expanded mission of IAB—to empower media and marketing industries to thrive in the digital economy—are starting to pay dividends.

This expanded mission and the five-year plan, **The Path to Digital Dominance**, ensures that we consistently and incrementally progress against a direction that will safeguard and propel the lasting success of your businesses.

Table of Contents

The format of this President’s Report follows the five-year plan the Board accepted and our industry embraced in 2014. The plan outlines five challenges that must be resolved for the long-term health of the interactive advertising industry. These five enduring priorities are:

- The Trustworthy Digital Supply Chain
- Making Measurement Make Sense (3MS)
- Publisher Transformation
- Building Brands Digitally
- Moving Mobile Mainstream

Following these priorities is a section on IAB operations. This section includes:

- Membership Services and Growth
- Public Policy
- Learning and Development
- Research
- International
- Events
- Marketing
- Financial Management

Trustworthy Digital Supply Chain

The digital advertising industry needs a transparent, liquid, and safe marketplace for digital advertising and marketing transactions if it is to thrive in the long term. The activities described in this section support the Trustworthy Digital Supply Chain Initiative, formally launched in June 2014, and move us closer to this goal.

This endeavor encompasses four distinct objectives:

- Promote brand safety through transparency and accountability
- Eliminate fraudulent traffic
- Combat malware
- Fight theft of digital content

Building Trust and Accountability

IAB successfully launched the Trustworthy Accountability Group (TAG) over the past couple of months, which was established in collaboration with the American Association of Advertising Agencies (4A's) and the Association of National Advertisers (ANA). The organization will spur industry-wide improvement at an unprecedented scale, focusing on four core areas: eliminating fraudulent traffic, combating malware, fighting ad-supported Internet piracy to promote brand integrity, and promoting brand safety through greater transparency.

In March, TAG announced the inaugural Board of Directors including 24 top executives from the world's largest brand advertisers, online media companies, ad agencies, and advertising technology companies. The Board held its first meeting in May and empowered TAG staff to redouble efforts to fight the criminal activity that is undermining the trust in the digital supply chain.

TAG announced its second major initiative in May when it released the Fraud Threat List. This program entails the creation of a database of domains that have been identified

as known sources of fraudulent bot traffic for digital ads. Participants will be able to use this data to block the major sources of non-human traffic from their inventory. The program was unveiled on stage at the IAB Advertising Technology Marketplace Conference in New York by Mike Zaneis, Executive Vice President, Public Policy & General Counsel, IAB and interim CEO of TAG, and Jim Norton, Global Head of Media Sales, AOL. The initial research, design, and testing of the program has been led through a collaboration of TAG's Anti-Fraud Working Group and leading digital advertising companies including AOL, BrightRoll (a division of Yahoo), Facebook, and SpotXchange, which are participating in the program's pilot program. Industry-wide rollout is expected in the third quarter of this year.

Reducing Friction: Technical Standards for Rapid Implementation

Charged with producing and helping companies implement global industry technical standards and solutions, a goal of the IAB Technology Laboratory is to simplify and reduce the costs associated with the digital advertising and marketing supply chain while contributing to the safe growth of the industry. To that end, the IAB Tech Lab kicked off 2015 with a focus on clear alignment between product life cycle and working groups. This foundation has supported the rapid execution of Digital Audio Ad Serving Template (DAAST) and Video Ad Serving Template (VAST) projects, including reference code, materials, and events. Our commitment to becoming a hub for hosting testing utilities, from mobile SDKs to SafeFrame, has generated an amazingly positive response, and IAB has continued investing in this area. In March, the IAB Tech Lab also added Melissa Gallo, Director of Product Programmatic Automation and Data, and Shailley Singh, Director of Mobile and Ad Products, to its staff.

After clearing public comment, the OpenRTB 2.3 specification and OpenRTB Dynamic Native Ads API Specification Version 1 were released in January and February of 2015 respectively. Members of the OpenRTB Working Group consisting of 44 companies contributed to the OpenRTB 2.3 specification, while a subset of 15 companies with a

focus on native advertising contributed to the addendum. A significant portion of the OpenRTB text has been reviewed and updated for clarity, reducing the potential for incompatible implementations, and the specifications together provide support for native ads in OpenRTB. The Dynamic Native Ads API Specification describes the technical means for programmatically transacting on the native ad types defined by the IAB Native Advertising Playbook, providing a new and better revenue stream for app developers, an increased supply of premium mobile native inventory, the acceleration of scale within mobile native, and an overall improved user experience.

Recognizing Emerging Business and Technical Obstacles

Another focus of the IAB Tech Lab is the industry's growing demand for all web pages to be delivered securely over HTTPS to prevent fraud and the proliferation of malware. In order to maintain existing advertising partnerships, all participants in the advertising supply chain must support HTTPS. The IAB Tech Lab has publicly supported this development with an editorial on IAB.net in March.

Consumer rejection of ads through technology like Adblock Plus is also garnering more attention. The IAB Tech Lab gathered thought leaders to discuss the issue at our Annual Leadership Meeting, and came away with a mandate of further discovery. Over the past few months, conversations with companies in the anti-ad-blocking space have resulted in the collection of better data about adoption and usage of ad blocking technologies. This data, along with continued consultation of leadership groups, is being used to develop a position on the issue of ad blocking.

Making Measurement Make Sense

IAB aspires for all media to be allocated and valued using common metrics, empowering marketers to create powerful cross-screen branding campaigns based on educated

decisions and accountable investments. Progress made in the Making Measurement Make Sense (3MS) initiative moves us closer to this goal.

Since the last President's Report, there's been much progress regarding viewability, the current stage in the process of making measurement make sense. We have seen the press hyperbole and confusion diminish and a number of accurate press pieces have appeared in the last month. The messages we have been communicating are taking root and resonating. From what publishers are telling us, the effects of the 2015 Transaction Principles issued by IAB and developed by our Board sub-committee have been positive in market, helping move from posturing to negotiation with acceptance that 100 percent viewability is not possible at this time.

In March, another key release that informed and calmed the market came from George Ivie, Chief Executive Officer and Executive Director of the Media Rating Council (MRC). His article in *MediaPost* explained the concept of Opportunity-To-See (versus Branding or Engagement) and the empirical proofs that were the bedrock of development of the viewability standard: In 80 percent of cases, across billions of impressions evaluated by MRC, when a display/video ad rendered with 50 percent of pixels for one/two seconds, it was in fact fully viewable. To spotlight the article and to reinforce its importance for the ecosystem, the ANA, 4A's, and IAB issued a joint letter of support for the position that was authored by Sherrill Mane, Senior Vice President of Research, Analytics and Measurement, IAB, along with members of the IAB Board of Directors sub-committee on viewability.

Mane continues to develop and host well attended 3MS Educational Forums approximately once a month. One recent session examined viewability implementation in programmatic channels and featured Brian Gleason, President, Xaxis Americas. In late March, the forum topic was testing, reiterating, and redesigning to accommodate custom ads, and the guest speakers were AOL product experts.

On May 5, the MRC issued **Interim Guidance on Mobile Viewable Impression Measurement**. The document was created at the request of the IAB and answers key recurring questions about mobile viewability measurement. It posits that in all likelihood, the viewability standard for mobile web and in-app display and video ads will be the same as for desktop. However, the MRC does note that the industry work and research on the standard is still ahead of us. There is clear reference to the fact that no organization has yet to be accredited for mobile viewability measurement and there is a cautionary note about the inaccuracy of extrapolating desktop viewable impression levels to mobile.

Viewability is now the currency, and with MRC oversight, data collection to improve viewability measurement will permit us all to move forward in unison.

Publisher Transformation

The value of publishers' audiences must be realized, and diversified publisher revenue streams must become commonplace. These goals require publishers to continue to adjust to new technologies, new business processes, and new economics. The wide range of activities and initiatives described below aim to enable publishers that specialize in the creation and distribution of original content, particularly but not limited to ad-supported content, to gain the knowledge and tools they need to transform.

Recognizing Excellence in Video Programming

In response to digital video's skyrocketing growth, last year IAB announced the launch of the **Digital Video Center of Excellence**, devoted to promoting the development of the digital video medium within the marketing, advertising, and media ecosystem. The Center is producing research projects, digital video advertising case studies, technical standards, creative showcases, and best practice identification in the burgeoning arena of digital video.

In March the Board of Directors of the Digital Video Center of Excellence convened for an inaugural meeting. Themes emphasized and needs surfaced included measurement standards, creative format standards that will ease cross-channel and cross-platform media buying, and creative innovation that will better leverage the unique capabilities of digital video to engage users and drive advertiser ROI. The Board also endorsed the creation of a Digital Video Buyers Advisory Board.

The Video Center also completed preparation for the **2015 Digital Content NewFronts**, and organized a robust 2-week schedule of 33 presenters (up from 22 in 2014). The NewFronts garnered unprecedented media interest and coverage before, during and after the event. Packed rooms, lines around the block and intense social and mainstream media coverage all affirmed the primacy of digital video to engage consumers and attract brand dollars.

Guiding Social Media, Native Advertising, and Content Marketing

The **Social Media Committee** focused on promoting the recently published Social Media Buyer's Guide, a one-stop resource on how to advertise on the seven leading social media platforms: Facebook, Foursquare, Instagram, LinkedIn, Pinterest, Tumblr and Twitter. The group published a blog in February with each platform giving their perspective on how the guide is a helpful tool for the industry.

As a follow up to the **Native Advertising Disclosure Workshop** held in December 2014, where the FTC indicated that native advertising guidance was a possibility for 2015, the IAB issued an article on the IAB site in February titled **What if the FTC Provides Native Advertising Guidance in 2015?** Mike Zaneis, Executive Vice President, Public Policy & General Counsel, IAB, provided some helpful perspective based on member questions and in accordance with the existing IAB Native Advertising Disclosure Principles.

The **Content Marketing Task Force** was represented at Social Media Week in New York City in February. To a sold-out crowd of 200, Susan Borst, Director of Industry Initiatives, IAB, moderated a panel that included executives from CrowdTap, Discus, Lithium/Klout, Storyful, *TimeOut NY*, and TripAdvisor who discussed the top ways that publishers, marketers, and agencies are using User Generated Content as part of their content marketing mix. They shared case studies, best practices, and some legal gotchas that anyone considering a UGC campaign should keep in mind.

Demystifying Programmatic

The **Programmatic Council** continued to focus on education, mobile, and on working to make private marketplaces work better. In partnership with IAB's learning and development team, the one-day training program for direct sellers and buyers continued its roll-out across the country with training sessions held in Los Angeles, Detroit, and Boston.

The **Mobile Programmatic Playbook** was published on March 17, accompanied by a blog post by OpenX and a Town Hall at the IAB's Ad Lab. The playbook is the first IAB programmatic document that is mobile-specific in nature, covering all aspects of the mobile programmatic landscape. This piece is intended as an introduction to mobile programmatic buying and refers to other relevant documents where useful. The main focus for this paper is to bring particular attention to areas where programmatic buying in mobile environments differs from other programmatic environments (such as desktop, et al).

Following a packed Town Hall on Programmatic at the Annual Leadership Meeting, the Programmatic Council focused its attention on making **Private Marketplaces Work Better**. A brainstorming session in San Francisco in April, kicked off work on a Private Marketplace Set-up checklist which aims to ensure publishers and buyers are on the same page before moving ahead to ensure ROI for all parties.

The **Programmatic Council** strengthened its leadership with the announcement that Jason White, Vice President, Programmatic Revenue at CBS Interactive will become a new Co-Chair of the IAB Programmatic Council joining Bob Arnold, North American Digital Media & Strategy Lead, Google, in helping lead this group. IAB offers a special thanks to Alanna Gombert, formerly of Condé Nast, who served as the founding Chair of the Programmatic Council.

Leading the Way on Emerging Platforms and Audiences

The IAB Games Committee met to set the agenda at Twitch HQ in San Francisco in January. This committee was represented on an official SXSW panel for the third year in a row with a panel discussion moderated by Susan Borst, Director, Industry Initiatives, IAB, with executives from MediaBrix, Nielsen, and Twitch. Discussion built on the Games Advertising Ecosystem Guide (published in December 2015) and highlighted the need for the industry to understand changing dynamics of both gamers and gaming to understand the advertising opportunities that games afford brands and marketers.

In March, IAB hosted a third annual SXSW Sunday Brunch, a casual networking event for members and friends attending the conference in Austin. A hot topic of discussion at SXSW Interactive was the maturation of digital as evidenced by notably higher brand presence.

The **Digital Audio Committee** released the **Digital Audio Buyer's Guide** in April, with an accompanying post on IAB.net, and a website with digital audio creative samples. The report highlighted the strong and steady growth of digital audio consumption in recent years, and opportunities for marketers who have considered investment in digital audio. This attracted considerable attention from both the digital media and traditional radio focused press.

Podcasts also attracted significant attention in the first quarter, with the Podcast Working Group meeting in Las Vegas during NAB's annual spring conference and related

broadcast festivities. The group is aiming to move towards standard definitions around podcasts and audio-on-demand terminology, as well as metric needs for the growing medium. Press interest in IAB work in this area continues to grow particularly given the Podcast Upfronts by several podcast publishers. The Committee also continues to promote the **Digital Audio Ad Serving Template (DAAST)**, a vital ad delivery standard that allows audio ads to be served across an array of players, in environments that include mobile devices and in-car radios where access to a web browser is limited or doesn't exist. DAAST, podcasts, and the value of digital audio will be presented and discussed with an audience of brands and agencies at the upcoming Digital Audio Agency Day in Los Angeles.

In follow up to a popular article in January on the IAB website, the **Digital Out of Home Task Force** is seeking and reviewing comments from members and industry around its expanded and forthcoming Digital Out of Home Buyer's Guide. The task force aims to help IAB members understand emerging outdoor and place-based media opportunities and better integrate them with mobile, local, and video efforts. The group brings together more than 20 companies, including AT&T, Clear Channel Outdoor, Havas, Intel, Live Nation, and NBCUniversal.

Finally, the **Multicultural Council** focused on its objective of bringing digital to all things multicultural and multicultural to all things digital. In April, IAB brought digital to the main stage at the AHAA (Association of Hispanic Advertisers & Agencies) Annual conference with a panel on Programmatic involving Carl Kalapesi, Vice President Industry Initiatives, IAB and executives from NBCUniversal and Starcom MediaVest. IAB also worked to increase the quality and depth of the MIXX Multicultural award category through promotion to Multicultural agencies in an effort to increase the interest in and submissions to the award.

Building Brands Digitally

The ad product portfolio must continue to keep pace with the expectations of consumers. Ad experiences must be as natural and meaningful as the content consumers expect and enjoy in the digital realm.

IAB released its three-part digital advertising typology publically at the Annual Leadership Meeting, recognizing that the digital advertising market is trifurcating into three types of advertising that marketers are using to achieve strategic objectives across the purchase funnel: **concept ads, content ads, and commerce ads**. Attendees were urged to master this framework as it will help simplify the planning of advertising and marketing and make strategy, media, and creative execution come together more effectively in pursuit of marketers' goals across the purchase funnel.

Led by the Ad Product Advisory Board and working with the IAB Tech Lab, IAB advanced its initiatives designed to enable marketers to use concept ads, content ads, and commerce ads even more effectively in the quarter, including:

- The **Dynamic Ad Component Standards Workshop** was attended by 50 experts from across the ecosystem and hosted by Yahoo in Silicon Valley this quarter, and a work plan was created for the development of these standards in 2015. These will complement and build upon the Open RTB 2.3 Dynamic Native Ads extension, also released in the quarter, to help drive content advertising at scale.
- The **Rising Stars Ads and Brand Equity Study**, released at an IAB Ad Lab breakfast event, proves definitively that these concept ad formats deliver higher interaction (5x longer gaze duration and 3x higher interaction rate), which drives greater effectiveness (4x ad recall and 29.5 percent greater brand lift). In addition, the research found that they achieve this level of performance while also being seen as less intrusive and less annoying than legacy ad banners, owing to the better creative, more viewer control, and greater choice they provide.

Moving Mobile Mainstream

The Mobile Marketing Center of Excellence and member companies define the association's mobile agenda and ensure that mobile is an integral part of all IAB initiatives. There are several notable accomplishments from this group in the past few months:

In March, IAB's Mobile Center released its first **Mobile Programmatic Playbook**, a guide to marketers, media companies, and others in the digital ad ecosystem to the ins and outs of programmatic buying and selling of media in the mobile world. The guide outlines ways that mobile programmatic is similar to programmatic buying more generally, and also areas where it diverges such as lack of cookies, and the importance of location data. The playbook will serve as a helpful guide all IAB members can add to their educational and sales materials.

The Mobile Center published the third in our ongoing series of surveys of senior marketer decision-makers called **Marketer Perceptions of Mobile Advertising, 2015 Edition**. This report looks at a wide range of mobile topics, including spending level, opportunities and challenges, success metrics, and ad formats for mobile. This year's study also included questions on mobile programmatic and emerging devices like wearables. Conducted repeatedly over five years, the study offers a view of marketers' evolving thoughts on mobile, and validates that the Mobile Center's priorities reflect those of marketers.

Also in March, the Mobile Center released the **Video Addendum to the IAB Mobile Rich Media Ad Interface Definitions (MRAID)** standard. This specification creates a new standard that facilitates running and tracking metrics for Video Player Ad-Serving Interface Definition (VPAID) video within MRAID interstitial ads. Adoption of the Video Addendum will help more publishers add mobile video inventory, while simplifying ad creation, delivery, and measurement.



In April, members of the Mobile Center traveled to Washington, D.C, for the fourth annual **Washington, D.C. Mobile Center Fly-In**. On day one, IAB sponsored the State of the Net Wireless conference, with a panel featuring several Mobile Center members talking about the latest in the mobile space. It was widely attended by congressional staff and key industry policy representatives. Day two featured a full day of meetings in both the House and Senate, with the group meeting with Congressmen, Senators, and key staff working on front-burner issues, including data breach, trade, location, privacy, and tax deductibility legislation. The meetings are both informative for those who attend, and incredibly valuable to IAB mobile-policy efforts in Washington, D.C.

IAB Operations: Expanding the Influence

Many IAB capabilities support these five strategic pillars as well as members and the industry itself by increasing the influence of IAB across the ecosystem, Washington, D.C., and the world.

Membership Services and Growth

With 28 new General Members and five new Associate Members joining since January 1, 2015, our current total membership is 631, without counting company subsidiary members.

Notable new members since January include *The Onion*, Oracle, Netflix, Dell, Zefr, and IronSource. The Long Tail Alliance now includes more than 1,145 members.

Below is a comprehensive list of new members:

Organization Name	Member Type
Adadyn	General
Bluethorn Media LTD	General
Coull Ltd	General
DashBid	General



Gimbal Inc.	General
Glassnetic	General
Haymarket Media	General
Inneractive LTD	General
IronSource	General
JUICE Mobile	General
Legacy.com	General
LotLinx	General
NeoReach	General
Oracle	General
Phorm, Inc.	General
Placester, Inc.	General
PushSpring	General
Qriously	General
Quixey	General
RevJet	General
RockYou!	General
SteelHouse	General
The Guardian	General
The Mobile Majority	General
The Onion	General
ViralGains, Inc.	General
Zefr	General
Zemanta	General
Acquia	Associate
Ayuda Media Systems, Inc.	Associate
Dell, Inc.	Associate
Management Science Associates	Associate
Netflix	Associate

Public Policy

IAB continues to work actively with our reelected congressional champions and establish direct connections with new members of Congress.

This quarter, IAB successfully merged its Political Action Committee (PAC) with the joint 4A's/ANA PAC to form the ADs Alliance Political Action Committee. The AD PAC, as it will be known, begins with a major capitalization of over \$100,000 and will allow the digital advertising industry to exert far greater influence amongst Members of Congress. In the first quarter of the year we have already doubled the number of fundraisers that the IAB PAC held in the entire first half of 2014.

IAB continues to seek clearer guidance from the Food and Drug Administration (FDA) on appropriate ways for pharmaceutical companies to provide drug risk information in space limited digital advertising formats. In an unprecedented move, the FDA granted a closed door meeting with their senior officials, where IAB and several member companies presented the patient benefits of receiving drug information via advertising and other marketing channels. The uncertainty around FDA enforcement over existing restrictions costs our industry hundreds of million in advertising dollars each year.

Meanwhile, the **CFO Council** continued its work on advertising technology tax risks. More and more members are being targeted by state and local tax authorities in an attempt to classify revenues associated with their advertising exchange services as “software” and therefore taxable. The CFO Council invited Richard Leavy, tax attorney at Sidley Austin to address the council on the matter. Brad Weltman, Senior Director of Public Policy at IAB, provided updates on activities at the state and federal levels as well as how IAB is coordinating with the other associations in our industry.

Learning and Development

A new Certification program launched this month as the total number of certifications continues to grow. The **Digital Data Solutions Certification**—intended for digital

professionals with two years or more of big data experience—is now the third professional credential offered by IAB. The Learning and Development team is finalizing relationships with training partners who will offer a variety of fundamental and advanced courses.

Nearly 4,000 sales and ad operations professionals have earned certification since the program began in May 2012. A number of companies have signed up large blocks of their sales teams to become certified by year's end, including NBCU, Time Inc., and Cox Media Group. Time Warner Cable Media remains the company with the largest number of candidates for certification, with more than 700.

While the value proposition for the Digital Media Sales Certification program has been self-evident for some time, the Certification team has created collateral for sales certifiants to use with their clients. The materials stress the industry-wide acceptance of the credential and the ongoing professional development that certifiants need to maintain.

The IAB Education Foundation completed a series of **Voices United** diversity workshop and listening tour with programs in New York, Washington, D.C., and San Francisco. Tim Armstrong, Chairman and Chief Executive Officer of AOL and Foundation Board Chairman and Freada Kapur Klein, Ph.D., Founder of the Level Playing Field Institute and Co-Chair of the Kapur Center for Social Impact, led the conversation on the lack of diversity in digital media and technology. A large cross-section of publishers, ad tech companies, and agencies actively participated in these conversations to discuss diversity and workforce issues and what cross-industry collaboration can achieve. Participants included representatives from AdRoll, AdTech, AppNexus, BET, Bloomberg, BrightRoll, Comcast, Facebook, Google, *Huffington Post*, LinkedIn, Microsoft, *New York Post*, *NY Daily News*, Pandora, Quantcast, Salesforce, Seeking Alpha, Square, U.S. Department of Labor, Yahoo, Yelp, and more.

The tour wrapped up on March 12, and the Foundation's efforts to implement many of the ideas shared on all the tours are already well underway. The Foundation is also completing development of an entry-level Digital Associate Certification examination which, coupled with training, will prepare individuals for entry-level positions in sales support, marketing, and ad operations.

Research

Under the leadership of Sherrill Mane, Senior Vice President of Research, Analytics and Measurement, and Kristina Sruoginis, Research Director, IAB, and in conjunction with the Digital Content NewFronts, a full slate of B2B and consumer research studies have been developed to enhance the understanding of how the markets move and what consumers are doing, thinking, and feeling about original digital video. The studies include **Consumer Insights on Original Digital Video** which shows that one in four US adults watches Original Digital Video monthly, **NewFronts 2015: Digital Video Ad Spend** which notes that 68 percent of marketers and agencies anticipate increasing video ad spending, and its qualitative companion piece on content marketing of original digital video, **Content Revelations**, which was conducted in partnership with Digitas and featured at its NewFront.

In addition, on May 6, more than 100 senior buy-side executives attended the third annual **IAB NewFronts Insights Luncheon** held at the IAB Ad Lab. The well-received event provided insights into all aspects of digital video and tips on how to integrate the findings into actionable results. Five presenting sponsors shared diverse studies ranging from assessing the impact of consumer video ad choice (TrueX) and guidelines for creating engaging TV commercials (Unruly) to an analysis of demographic targeting accuracy (Quantcast and MediaSmith), the effect of social TV viewing (ShareThis), and a look into consumer use of video on demand (Tremor).

The Changing TV Experience

In April, IAB released a report called **The Changing TV Experience: Attitudes and Usage Across Multiple Screens** garnering abundant media coverage (including an infographic snapshot in *USA Today*) and delving into consumer usage of digital and mobile screens and how that affects TV viewing: 78 percent of US adults over 18 multiscreen (use a computer, tablet or smartphone while watching TV), offering ‘extended’ advertising canvases in which to capture TV viewing consumers’ attention. In contrast, one-third of US adults owns a connected TV or device and 38 percent of them say they spend more than half of their TV screen time streaming online video to their TV, replacing opportunities to reach them via TV commercials with opportunities for advanced TV or video ads.

As video viewing evolves and the lines between TV and digital blur, studies like these from IAB alert our members to the degree of consumer behavioral shifts that impact their business.

International

Under the leadership of David Doty, Executive Vice President and Chief Marketing Officer, and Alexandra Salomon, Senior Director of International, IAB International is influential in driving the interests of our members around the globe. The IAB Global Network now is made up of 43 organizations across 6 continents.

The **International Breakfast Session** at the IAB Annual Leadership Meeting has become a key gathering point for the network. This year, more than 50 digital advertising leaders from 11 countries discussed how we could work better together to address the issues highest on our priority lists. Also at ALM, IAB released the expanded digital guide to Global Legal Summaries, providing information about regulatory structure and policy updates from 21 countries.

IAB South Africa produced its **first Digital Summit** event since joining the network on February 19 in Johannesburg. David Doty was invited to present the strategic point of view of IAB, to an international audience of 250+ members. He also spoke on a panel alongside Zeinab Badawi (BBC News), Luke McKend (Google), and David Sable (Young & Rubicam), and was interviewed by nearly a dozen news outlets including Bizcommunity, the leading South African publisher of daily industry news.

In March, IAB created its **inaugural one-day summit at the Mobile World Congress** in Barcelona, partnering with Facebook and Nasdaq and expanding its international events footprint. IAB at Mobile World Congress attracted a full house of mobile professionals who came to hear keynote speakers like David Sable, Global CEO of Y&R; Gerry D’Angelo, European Media Director of Mondelez International; and Sarah Personette, Head of Global Business Marketing, Facebook. They debated the future of mobile advertising and the issues driving (or preventing) its growth, from measurement to wearables, and from “walled gardens” to better creative.

IAB Europe has continued its upward trajectory, seeing notable growth with such new members as AdTruth, DMA Institute, MediaMath, Nextplora, Quantcast, SpotXchange, Teads, The Trade Desk, WebSpectator, and Widespace.

The **appetite for cross-border learning**, and open and frank discussions, is stronger than ever as evidenced by our last IAB International Webinar held in April, which focused on 3MS and Viewability—from both US and UK/EU perspectives. It was the largest and most successful to date with close to 150 participants from around the world joining in the conversation.

Supporting the **growth of the IAB Certification programs**, IAB recently began offering to the international IABs the well-developed curriculums of the Digital Media Sales Certification one-day prep course and the two-day Fundamentals of Online Advertising course. With access to all the materials needed, they can in turn offer the courses locally to their members, extending standards across the globe.

Events

IAB events continue to be a convening platform for industry thought leadership as well as a healthy revenue source for the organization.

This year is off to a strong start with the **IAB Annual Leadership Meeting** in February 2015 reaching record revenue and profit: \$3.429 million in revenue, a 23 percent increase over last year and a gross profit of \$2.569 million, a 40 percent increase over 2014. The event saw 1083 attendees, a 7.8 percent increase over 2014's attendance. The audience remains a senior crowd with 70 percent at the Vice President level and above.

The first **IAB at Mobile World Congress** conference, sponsored by Facebook and NASDAQ, was a hit in Barcelona on March 2 with 275 attendees. This event was a foray into global markets with a new type of partnership model which allows IAB to plug into existing events to generate global visibility. This could be a template for future tent-pole events on a global scale.

The events group has also added new events to the 2015 calendar that focus on regions outside New York: a **Case Study Road Show** in San Francisco and Los Angeles, as well as a **Programmatic Summit** in Los Angeles in November.

The team continues to look at restructuring the business in response to market conditions that will likely lead to new event products in 2016 held both domestically and abroad.

Marketing

Under the leadership of Executive Vice President and Chief Marketing Officer David Doty, Marketing, Senior Director Chris Glushko, Marketing Director Tina Shih, and Public Relations Consultant Laura Goldberg, the marketing team drove success for IAB initiatives across a number of key audiences.

Over the last three months, Marketing **leveraged the press to communicate the IAB point of view** on a number of issues. **Top-tier press highlights** include coverage of IAB

at Mobile World Congress in *Ad Age*, Randall Rothenberg and Tim Armstrong talking about the goals of the IAB Education Foundation for Bloomberg Television, Sherrill Mane in a story about viewability and the MRC in *The Wall Street Journal*, and an exclusive for “The Marketers Perceptions of Mobile Advertising” study in *Adweek*.

In support of Building Brands Digitally, Marketing produced **What Works & Why: IAB MIXX Awards 2015 Insights Report**. The report provides analysis from the awards’ elite panel of industry judges on select Gold-winning campaigns that captivated audiences and delivered meaningful results for brands. Alongside 14 campaign case studies and video interviews, the report highlights best practices across digital channels and explores emerging trends that will be critical to interactive marketing in the years to come. Lessons are offered on mobile, digital video, branding, technology, audiences, and data, as preeminent digital creative, marketers, and publishers reflect on the best campaigns of 2014.

Marketing delivered and executed a robust communications strategy for the **Digital Content NewFronts** to build excitement and awareness around the event, drive attention to NewFronts presentations, and increase the value of the digital video medium in the eyes of brands and agencies. The team also negotiated a multidimensional robust partnership with *Adweek*. Coverage included print and digital elements, including significant support from *Adweek*’s editorial team and an interactive NewFronts hub on *Adweek.com* to host trailers of presenters programs. The partnership paid off in spades. The publication produced a total of 75 NewFronts-related articles garnering more than 250,000 views to the NewFronts hub on *Adweek.com*. On *IAB.net*, the team created a **NewFronts Center** consisting of photos, press coverage, and a real-time social media conversation tracker. Traffic to the center was driven through a coordinated social strategy focusing on the hashtag #NewFronts.

To date, the *IAB.net* NewFronts Center has received more than 72,000 unique page views, and the #NewFronts hashtag was tweeted an astounding 11,000 times, reaching nearly 125 million Twitter users. The team’s press strategy around the April 27 to May 7

event included a byline in *Adweek* by Randall Rothenberg titled “The Future May Belong to Web and Mobile Video, but TV Will Survive.” The coverage doubled from 2014 in number of stories about the NewFronts and in mentions of IAB. There is better coverage qualitatively as well with stories in top-tier outlets such as *The New York Times*, *Forbes*, *The Wall Street Journal*, *Variety*, *The Hollywood Reporter*, *The Los Angeles Times*, *The New York Post*, *TheStreet.com*, and *CNBC*, as well as key digital video trades including *VideoInk*, *TubeFilter*, *Stream Daily*, and more.

There was a strong emphasis on supporting the growth and advancement of the **IAB Certification program** and the **IAB Education Foundation**. Following the creation of a strategic full-year marketing plan, Marketing officially launched the first phase of the Certification program’s digital media plan with paid media in publications such as *Adweek*, *Digiday*, and *SmartBrief*. They showcased the program to new digital audiences at two events that garnered 15 leads for the team.

Additionally, Marketing designed and began to execute a strategic marketing and communications program to counter challenges in driving recertification. The program focuses messaging, automates reminders, and works to better capture participant data. To communicate the needs of the industry to create a more diverse workforce, Marketing drove senior business leaders from major companies including CBS Interactive, Facebook, Google, Pandora, Square, Yahoo, and Yelp to two IAB diversity workshops on the Voices United tour.

Marketing leveraged the **IAB Annual Leadership Meeting as a platform to drive thought leadership and communicate the IAB point of view** throughout the industry. It issued eight press releases at the event, producing coverage in top-tier outlets such as *Wall Street Journal*, *Ad Age*, *Adweek*, *MediaPost*, and *AdExchanger*. The team produced 15 video clips from the stage and six thought leader interviews for IABtv, garnering more than 4,100 views. Daily coverage was communicated to IAB membership within hours of each day’s general session closing. In total, Marketing drove more than 48,177 unique page views to Annual Leadership Meeting coverage on IAB.net. At the event, Marketing



debuted a new event-opening video that leverages a montage of member logos to communicate the depth, power, and scope of IAB membership.

Financial Management

Under the financial leadership of IAB Executive Vice President and Chief Operating Officer Patrick Dolan, finances continue to be in a strong position.

According to first quarter financial results, topline revenue of \$8.5 million was a half-million dollars ahead of budget and \$2 million more than the same period in 2014. This was mainly due to the growth of dues revenues as a result of the change in membership criteria—and the record performance of the IAB Annual Leadership Meeting held in Phoenix in February. Other programs, such as the Digital Sales and Ad Operations Certification and NewFronts have all performed either on or above budget. We have also managed expenses, both our cost of services and expenses with their respective budgets, allowing the IAB to deliver net income in the first quarter of \$2.1 million. It is early in the year and we are expecting to spend more in the later quarters of the year; however, we feel confident that the IAB is well positioned financially to deliver on its ambitious agenda for 2015.

I am pleased by our ability to continue to deliver value to our members and grateful for all our progress this quarter. This would not be possible without the commitment from our members, and especially from our Board of Directors. I again thank you for your support of this team and our efforts.

Respectfully submitted,

Randall Rothenberg

President & Chief Executive Officer