



President's Report February 9, 2014

The Path to Digital Dominance: The Journey Begins

By Randall Rothenberg

The year 2014 has begun with great promise and opportunity for the interactive advertising ecosystem and the Interactive Advertising Bureau. The industry ended 2013 on track to achieve an historic \$40 billion in U.S. internet advertising revenues, if trends from the Internet Advertising Revenue Report prepared by PWC continued through the Fourth Quarter. It was only two years ago that we crossed the \$30 billion revenue figure. This healthy growth is supported by landmark third-quarter figures for 2013, in which internet advertising revenue climbed to \$10.7 billion, marking a 15% year-over-year gain for the period. The continued increase in investment testifies to the rewarding relationships marketers are effectively building with consumers through interactive media.

The outlook at IAB is similarly optimistic. Our trade association saw historic growth as well in 2013, made possible by the expansion of member businesses, the increase in new members with only minimal attrition, and the popularity of revenue-generating programs such as sponsored research, professional development and certification programs, and international licensing opportunities. Financial projections, based on performance for the first 11 months of the year, show IAB ending the year with revenue of \$20 million, an approximate \$2 million increase from the year prior. This progress has empowered IAB to invest in initiatives that bolster the prosperity of member businesses, including those that drive the "Five-Year Plan to Digital Dominance."

Presented the last time our Board of Directors convened, the "Five-Year Plan to Digital Dominance" outlines five challenges that must be resolved for the long-term health of the interactive advertising industry, and suggests incremental achievements to ensure consistent progress.

The five enduring priorities are:



- The Trustworthy Digital Marketing Supply Chain
- Making Measurement Make Sense
- Publisher Transformation
- Building Brands Digitally
- Moving Mobile Mainstream

This agenda was constructed based on feedback from our Board and member companies, as well as a review of participation data in IAB activities. That review found that the character of our members' involvement in IAB had shifted over the years. Where once IAB members interacted with the association almost solely at a leadership level – coming together, for example, to reach consensus on technical standards – we discovered that a much higher volume now come to IAB for education and development purposes. Within this participation set of “Learners,” as we dubbed them, were digital media executives, as well as a growing number of marketers, advertising agency executives, and others in the ecosystem who are not General Members of the IAB.

We also realized that our traditional mission, focused on growth and adopted seven years ago when digital advertising revenues severely lagged consumer consumption of digital media, was largely irrelevant in an environment where digital is now the second largest advertising medium in the United States, and had experienced double digit growth each for the past decade, with no end to that growth in sight. Rather, the more pressing challenge for so many of our members and partners is spreading the benefits of this growth as widely as possible.

This research and new understanding of IAB's position in the digital marketing and media ecosystem culminated in the development of a new IAB mission statement, which was ratified by the Executive Committee following the November Board meeting:

“IAB empowers the media and marketing industries to thrive in the digital economy.”

This new guidepost positions IAB as the central supporter of the media and marketing industries in this digital age—a role that reflects the expansion of interactivity across the vast media landscape. You may notice a new structure to this pivotal document, one that mirrors the new priority structure. While the five critical areas of focus for the future were honed and finalized at the end of

2013, and they will direct the forthcoming endeavors of the IAB, in practice, many existing IAB initiatives have already worked toward addressing these urgent challenges. In an effort to move forward holistically and proactively, the accomplishments of 2013 are presented below based on the new strategic focus of the future.

The Trustworthy Digital Marketing Supply Chain

The 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 and initiatives described below move us closer to this goal.

In December, the first product from the **Traffic of Good Intent Task Force** was released (an essential component in shaping the trustworthy digital advertising supply chain). This document, *Best Practices – Traffic Fraud: Reducing Risk to Exposure*, educates readers about how robotic traffic infiltrates legitimate publisher inventory and offers recommendations for minimizing this risk.

A VP of Advertising Technology search committee, made up of key ad technology stakeholders, has been assembled to identify a replacement for Steve Sullivan. Steve informed the IAB in November that he will be leaving the IAB at the end of February to re-enter the private sector after almost 4 years in the role. Among other accomplishments, Steve has put together a solid ad tech team fully capable of managing the transition to a new VP with minimum of disruption.

Steve's replacement will be responsible for the leadership and likely growth of the IAB Ad Technology team, while servicing three influential IAB groups, Advertising Technology, Ad Operations and Traffic of Good Intent. These efforts will be conducted in the context of the IAB's new strategic goals. As the "owner" of the technology team, there will be technology projects under management which support a variety of the five strategic pillars, however, the strongest affinity will be to the goals associated with a Trustworthy Digital Advertising Supply Chain.

The IAB's **Ad Technology Council** teamed with the **Mobile Marketing Center of Excellence** on the **Future of the Cookie Working Group**. Recognizing the significant upheaval in the state

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management space, the group's first document, titled "**Privacy and Tracking in the Post Cookie World,**" was released on January 28th, 2014, and is the culmination of over a year of research and discussion. The document provides a foundational overview of the available technologies, and more importantly, proposes a set of principles by which these and other technologies can be evaluated. Through 2014, this working group will work with technology vendors and implementers to develop guidance for individual solution classes.

Leadership of the **IAB Ad Operations Council** recently identified data ownership and management as a critical area of focus for 2013. It is expected that this group will join forces with the Data Council (led by EVP and COO Patrick Dolan) to create and facilitate a working group focused on best practices around the management of third party tags. This group will then follow up with an effort to define industry standard terms and conditions around the ownership and control of data gathered by third parties on publisher sites.

The **IAB Quality Assurance Guidelines (QAG)** initiative promotes the growth of the industry by ensuring brand safety through self-regulation. Initially created solely for networks and exchanges, it has been expanded to include a full range of buyers and sellers. Currently, 38 IAB members - including ad networks, exchanges and premium publishers - are members of the program. As the industry has evolved and brand safety needs continue to grow, so must transparency in order to facilitate it. To accomplish this goal, IAB has convened the QAG Evolution team. The team is comprised of leaders from 24 companies representing both buyers and sellers, and has been tasked with updating and broadening the scope of the guidelines to ensure they remain relevant in today's market. The QAG co-chairs and IAB have also been hard at work behind the scenes to identify how the QAG program can be expanded and developed into a wider industry compliance program to tackle the issue of how to build a trustworthy supply chain. This is due to culminate in a call to action to the entire industry at the IAB's Annual Leadership Meeting.

Making Measurement Make Sense

By 2018, 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

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accountable investments. Progress made in the Making Measurement Make Sense initiative moves us closer to this goal.

In late November, 2013, the MRC published an updated advisory and cautioned against trading on viewable impressions until more was understood about the variances. In addition, while for display, the viewability standard is virtually complete and widely agreed upon, there is still some debate on the digital video (in browser) standard. The switch to a **viewable impression currency** is moving forward, with an eye toward communicating at the end of the first quarter 2014 that the Media Rating Council (MRC) advisory has been lifted and the marketplace can begin trading on viewability. The MRC has been working on a **reconciliation study** that looks at all vendors who have been audited and accredited for measuring viewability in order to understand and isolate causes for disparate measures. The goal of this is twofold: first, to determine where accredited vendors may need methodological enhancements and second, to provide guidance on acceptable differences for transactions. The findings of the reconciliation study are due out prior to lifting the advisory at the end of the first quarter.

The MRC presented Draft 8.0 of the Viewable Ad Impression Guidelines on January 10th to the **Emerging Innovation Task Force**. The measurement guidelines for display are complete. The task force's review of the draft focused on updates and revisions to the video time requirement (browser-based video only; this proposed standard doesn't include in-app, mobile, or connected TV). During Q1 2014, the MRC will also provide guidance on aligning vendor differences and continue to work on digital GRP standards.

Yet 3MS is about much more than viewability, and all the talk about that one aspect may occasionally obscure an important fact: the initiative is literally about defining metrics to make cross-media planning, buying and evaluating comparable so that brand dollars can flow to digital media. Viewability paves the way for the work that needs to be done to make mobile measurement make sense as well. On the horizon from the ecosystem and to be led by MRC are written **standards for digital GRPs** that will work across platforms. The GRP standard will be written on viewable impressions.



Great strides have been made on the two other 3MS solutions. Here at ALM, we are releasing a white paper that **defines digital ad engagement** as well as identifies and defines metrics of engagement that are core to measuring how ads work. Led by SVP Sherrill Mane, the paper is the culmination of efforts across the buy- and sell-sides to create transparency and utility for brand marketers, agencies and publishers. In addition, the IAB, ANA and 4A's have now completed the first round of work with the agency creatives to vet a 3MS-proposed **ad classification and taxonomy**. The ad classification and taxonomy is designed to provide a common language across the supply chain for features of interactive ad units for brand building. Recognizing that all units are not created equal, the ad classification and taxonomy, when completed later this year, will streamline the both supply chain and measurement solutions.

In recognition of the scope of communication and education efforts that something as large as currency change and measurement overhaul require, the ANA, the 4A's and the IAB have retained Fleishman Hillard to "own" **3MS communication** on behalf of this tripartite initiative. In addition to communication and education efforts that will be taking place across the ecosystem as viewability becomes currency, Fleishman Hillard will be working on communication and image building to ensure a strong MRC. Last but not least, we recognize how vitally important it is to keep the marketplace in tune with what is coming next and that too will be Fleishman Hillard's communication accountability.

Publisher Transformation

The value of publishers' audiences must be realized and diversified publisher revenue streams must become commonplace—this is a goal requires publishers to continue to adjust to the new business reality of the digital economy as new solutions and opportunities become available. The wide-range of activities and initiatives described below move us closer to this goal.

The highly anticipated **IAB Native Advertising Playbook** was released by the Native Advertising Task Force on December 4, concurrent with the Federal Trade Commission's Native Advertising Workshop held in Washington, DC. The playbook, developed by the 100+ member task force, serves

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as a consistent framework for the discussion surrounding native advertising, identifying it as both an aspiration to seamlessly integrate brand messaging into consumers' content experiences, as well as a practical suite of ad products that successfully meets that objective. In addition to the task force, senior-level buy-side executives were tapped for their expert counsel on what advertisers need to consider before they add native elements into their digital marketing mix. The **Public Policy Council** was also consulted for the playbook's recommendations on native disclosures. Prior to release, the IAB orchestrated a call with the FTC so members would know what to expect at the FTC workshop. A number of IAB members ended up speaking at the FTC workshop along with Mike Zaneis, the General Counsel at the IAB. In 2014, the task force will organize a series of high-level IAB Workshops on hot topics to continue to guide the conversation. The **Sales Executive Council** contributed to the document by hosting a packed town hall in the Ad Lab in the fall, entitled "Native Advertising: Fact or Fiction," debating if and how this darling of the media can scale.

The **Content Marketing Primer** was released in December by the **Content Marketing Task Force**. This paper provides the industry with a framework for thinking about and discussing content marketing as it relates to definitions, benefits, varieties and transparency principles. This primer will serve as the basis for future IAB initiatives in the content marketing space and is a companion piece to the IAB Native Advertising Playbook. Some **B2B Committee** members also participated in the development of this document, ensuring that the B2B point-of-view was represented.

In 2013, significant, conclusive progress in the area of **Digital Advertising Automation** (formerly referred to as eBusiness) was made. This newly-renamed initiative is the long-sought dream of efficiency and automation in the buying and selling of premium digital inventory through the electronic delivery of business documents such as the insertion orders and invoices. Current marketplace partnerships include Operative, MediaOcean, and Facebook, which is focused on invoicing in 2014. Other vendors are also implementing the cross-industry, agreed-upon datasets and updating the 2008 XML schema based on the dataset revisions that were released in March 2013. The task force continues to monitor progress and provide a forum for fields that need further details or consensus based on modifications. A GitHub depository called the Open Advertising Protocol has also been created to further develop protocols, field values, and business rules for standardization adoption.

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Having successfully released the final version of the **IAB SafeFrame** specification 1.0 at the 2013 IAB Annual Leadership Meeting in Phoenix, IAB staff has aggressively addressed adoption on both the buy and sell sides. SafeFrame was initially developed to address the enablement of rich media delivery into user-privacy-sensitive environments, such as email. The same ad geometry features that enable rich media expansion in SafeFrame also enable cross-domain viewability measurement and, consequently, several other benefits have emerged such as the ability to trade expanding rich media programmatically.

However, for SafeFrame benefits to manifest in the digital media marketplace, publishers must partner with vendors and IAB to develop a strategy for implementation. There is a short-term cost to publisher implementation that is difficult to quantify. But buy-side vendors have realized the benefits of SafeFrame and many are already on board to support and even insist on publisher implementation. A few large publishers are working with the IAB on SafeFrame implementation and some have made commitments with timelines. Publishers who fall behind will suffer greater loss in the long-term without SafeFrame support as more buy-side vendors choose to work with SafeFrame-enabled publishers.

The **B2B Committee** welcomed Frannie Danzinger, from Bizo, as the new co-chair to join current co-chair, Bob Felsenthal, from Crain Communications. The committee agreed to endorse a second Bizo "For Dummies" guide titled ***B2B Online Display Advertising for Dummies***, which focuses on helping B2B marketers understand and utilize display and social advertising to boost brand awareness, increase engagement, and ultimately drive leads and sales. The committee reviewed and approved all content and the co-branded guide will be released in January, noting that the first guide received over 10,000 downloads. The IAB was also a media sponsor of B2B Magazine's Digital Edge in New York in October.

The **Data Council** released the market-making study with the Winterberry Group, ***Programmatic Everywhere?: Data, Technology and the Future of Audience Engagement***. This major study surveyed more than 250 executive-level thought leaders from across the digital marketing industry to get a better understanding of the impact that programmatic buying techniques are having on the digital marketing industry. The whitepaper shows that a majority of advertiser and publisher

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panelists (85% vs. 72%) presently use programmatic buying strategies, and even more expect to leverage programmatic over the course of the next two years (91% of advertisers vs. 83% of publishers). However, each group cites different reasons for its interest. More than half of advertiser respondents (55%) say they value programmatic buying's ability to effectively engage with target audiences across various digital properties. Sixty-three percent of publisher panelists say they are driven by the need to achieve operational efficiencies in media transactions. This important research was presented at the IAB's Ad Operations Summit event, and was supported by [x+1], Chango, and MediaMath at the premium level and Accordant Media, AdTaxi Networks, CPXi, and DataXu at the supporting level. The **Data Council** also co-hosted a breakfast and panel at DataWeek in San Francisco. At this event Winterberry Group presented a sneak peek at the programmatic research they had been working on. After the Winterberry sneak peak the Data Council fielded a panel of industry thought leaders to discuss the topic of audience validation. The title of the panel was "Audience Validation - What is it? And does it matter?"

The **Digital Video Committee** continued its efforts to educate the industry on the importance of adopting the V-Suite video ad serving standards (VAST, VPAID, and VMAP). As part of a newly launched educational initiative called **Digital Simplified**, the committee created a 3-minute explainer video on what V-Suite is and why it's of importance to the entire marketplace, narrated by Teg Grenager, Chief Product Officer of Adap.tv. The video has been met with great feedback and excitement. Additionally, the Digital Video Committee recently launched a **Digital Video Emerging Technology Focus Group** to discuss the evolving landscape and emerging technical challenges and solutions associated with digital video ad delivery. Led by the IAB's Ad Technology Group and attended by digital video technical experts, the group will discuss topics relating to new workflows and applications of V-Suite specifications (VAST, VPAID and VMAP), review mechanisms for video ad delivery to non-traditional digital platforms and devices like connected TV's, as well as server-side vs. client side ad insertion methods known commonly as "ad stitching." Insights from this focus group will inform future technical work for digital video at IAB.

Looking ahead to 2014, the Digital Video Committee is in the midst of finalizing two key document updates, "**Digital Video In-Stream Ad Metrics Definitions**" and "**Digital Video Ad Format Guidelines & Best Practices**" to be released in Q1. In the coming year, the group plans to put their



focus on mobile video, video viewability, programmatic video, and lingering interoperability issues, particularly associated with the convergence of TV and digital.

The IAB **Programmatic Publishers Task Force** continued to grow and provide a forum for publishers to work on issues related to the programmatic agenda and how it affects them. In December, the task force published two **Digital Simplified** papers (part of a new IAB educational series that offers easy-to-understand documents for the industry) on sales force models and transparency, which were covered by exclusives in AdAge and AdExchanger, respectively. The sales force piece provided insights for publishers looking to build programmatic sales teams by setting out the stages that publishers usually take in building a programmatic capability. The transparency piece called for increased transparency in the programmatic auction ecosystem – over fees, net CPMs and the bidding process itself – if publishers are going to be willing to offer more premium inventory through this channel. The publisher group also hosted an invite-only meeting for agencies and trading desks and an open town hall in November to convene the industry to discuss what areas in the programmatic marketplace need to be improved.

The **Social Media Committee** met in December at Twitter’s office in San Francisco with the theme of “Hot Topics and 2014 Planning.” Raman Kia from Conde Nast, the IAB Buyer’s Guide Working Group lead, opened up the meeting with an update and a request for enhanced participation. Kendra Salvatore from Bartle Bogle Hegarty treated the group to a Cole Haan case study with highlights and lessons learned for their #DontGoHome campaign, which was a 2013 IAB MIXX Social Marketing Gold Award winner. Jeff Smith from Nielsen presented an overview of their 2013 Paid Social Media Study and requested member input/suggestions for their updated 2014 study. Co-chair Joel Lunenfeld then updated the group on the Twitter social TV initiative with Nielsen around measurement and engagement (NTTR – Nielsen Twitter TV Ratings.) Nielsen provided additional perspective. IAB invited members to form panels for Social Media Week NY in February, 2014. The IAB is an official sponsor of Social Media Week for the second year in a row. The year ended with an email from the co-chairs, Joel Lunenfeld/Twitter and Carine Roman/LinkedIn, to a small invite-only group to participate in a Social Media Advisory group that will help guide direction for 2014.



The **Multicultural Council** focused its attention on mainstreaming multicultural, by aiming to integrate Multicultural into everything that the IAB does and communicating the importance of digital to more traditional multicultural audiences. The Council held detailed discussions with measurement companies regarding improvements to ensure better measurement of multicultural audiences including both Hispanic and African American audiences. In addition, the research working group, compiled available research on the current state of multicultural audiences and are in the process of building a platform to share and communicate this with a wider audience on an ongoing basis. The Communications working group has been identifying and prioritizing the conferences in 2014 at which the Multicultural Council wishes to host discussions

The **Games Committee** met in December at Microsoft's office in San Francisco with the primary goal of setting the agenda for 2014. The IAB welcomed back Kym Nelson from Twitch Media Group in the role of co-chair. Sandro Camarao from MediaBrix, who is leading the **Games Ecosystem Report** working group, provided an update on report status. Randy Shaffer gave a live demo of the new Microsoft Xbox One and Jack Koch from EA shared insights and lessons learned from their Ford Fusion "It's in the Game" campaign, which won a Bronze award at the IAB 2013 MIXX awards. In a continuing attempt to promote games as an increasingly important, measurable, and viable component of a brand's paid, owned and earned media strategy, members aligned for a Social Media Week panel in New York in February, 2014 under the theme "The Intrinsic Nature of Games as Social Entertainment." Participating companies include Microsoft, TwitchTV, EA, Zynga, and Mindshare.

The newly formed **Performance Committee** hosted an event in Seattle focused on attribution models and moving beyond the last touch, including speakers from an agency, brand marketer, and analytics perspective. The group published a Digital Simplified paper defining "performance marketing" setting out clear criteria for when a campaign is deemed to be a performance campaign. This is especially important given programmatic capabilities which allow for near real-time adjustment of ad-buys to achieve a performance objective.

On November 5th, IAB hosted over 100 **Long Tail Alliance** members at our first ever Long Tail event outside of the yearly fly-in to DC. It's was a buzzing day of education and networking for small

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publishers, sponsored by Matomy. It was a great success and we look forward to replicating the event twice in 2014, by popular demand. Additionally, the Long Tail Alliance, now over 1,100 members strong, looks forward to another eventful fly-in to Washington, DC in early summer to learn, network, and represent small businesses to congress.

The iTV Committee is evolving in to an **Advanced TV Task Force** to reflect the changes in the industry and the need to account for the convergence happening with TV and digital. Led by Chris Falkner of NBCU and Adam Lowy of DISH, an initial advisory group has been formed to outline the state of the Advanced TV landscape, operational inefficiencies, and key initiatives on which to place focus. Once priorities are set, there will be open seating for this new and exciting initiative that will fall within the Digital Video Committee.

Digital audio programming is a rapidly expanding market segment for digital advertisers. While still relatively small, we see this burgeoning market segment much the way digital video looked five to seven years ago—full of promise for growth. But like digital video was before V-Suite, the digital audio market today is fragmented, with no standardized way to track the delivery of audio ad units, whether an audio ad has played, how much of that ad was played, or any interactions users might have had with the unit or its companion display ads. Keying off the success of the VAST, VPAID and VMAP standards in digital video, a technical working group of IAB member companies, entitled the Digital Audio Ad Serving Template Working Group, is actively engaged in defining a **Digital Audio Ad Serving Template (DAAST)**, a new foundational specification that will unite the marketplace under one common audio ad insertion protocol. Once this foundational spec work is complete and implemented in the marketplace, media buyers will be able to easily run digital audio ads in a manner consistent with how all digital ads are served, tracked and optimized. In short, it will allow audio ads to be served across an array of players. Simultaneously, the group is working to define an audio impression in conjunction with the MRC.

In addition to best practices/standards development, the **Digital Audio Committee** hosts events to educate marketers and agencies on why digital audio should be included in media buys. On February 5, a **Digital Audio Agency Day** was held at New York Public Radio in New York, NY. Over 100 media buyers and agency executives came together to discuss digital audio advertising

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campaign case studies, podcasting, industry demographic research, and other exciting things on the horizon.

Keeping up with the industry's constant technological evolution means that existing guidelines need to be periodically reviewed and modernized. For this reason, the **Ad Ops Council** is reconvening the **Display Creative Guidelines Working Group**, which has been fairly quiet since its last update in February 2012. The working group will methodically review all current guidelines and consider how factors such as bandwidth and HTML5 capabilities have evolved and should influence changes in the guidelines. Current creative guidelines under review will include Rising Stars and Mobile Ad Units.

The **HTML5 Task Force** continues to focus its efforts on education and maintenance on the current version of the HTML5 for Digital Advertising 1.0 while also identifying new areas for development. The task force is wrapping up insights from its own internal survey to gauge current industry processes and capabilities for HTML5 ad creation and delivery. Insights gleaned from the survey will inform the task force's direction in creating a recommendation for the Display Creative Guidelines Working Group in its guideline development while also dictating how to develop topic areas for the next version of HTML5 for Digital Advertising.

The **Networks & Exchanges Committee** agreed to focus its attention going forward on programmatic and to merge with other ongoing programmatic activities within the IAB committees and councils. The **Network Audience Reach Definition Working Group** agreed to develop and communicate to the wider industry the different metrics used to measure audience reach and how this differs across different players such as networks, exchanges, and SSPs. The **In-Image Advertising Taskforce** finalized an **In-Image Buyers Guide** due to be published Q1 to raise awareness around the burgeoning marketing channel of in-image advertising.

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Publisher Training and Development

The IAB Digital Media Sales and the Digital Ad Operations Certifications continue to prove their value to the industry as the number of certifications awarded nears 1,800, with upcoming test commitments due to raise that number to 2,300 during the next quarter. Meanwhile a number of IAB member companies are showing their commitment to the programs by signing up large numbers of employees through **the Corporate Partners Program**. In addition to receiving group discounts, the participating companies also receive knowledge assessments to help pinpoint areas where additional training might be useful. The top five participating companies are AOL, Time Warner Cable Media, Yahoo!, Condé Nast, and American City Business Journals.

Within the next month the IAB will complete its application for accreditation of both of its certification programs. The accreditation process, conducted by American National Standards Institute (ANSI) will take several months to complete. Accreditation demonstrates compliance and commitment to the highest standards of quality and excellence.

IAB has launched a new **“Train the Trainer” program**, designed to help companies keep training costs low while still providing their employees with quality training curricula. The program is open to all members who will commit to certifying their employees in the Digital Media Sales Certification exam. Contact Michael Theodore, VP, Learning & Development (michael@iab.net) for more details.

Building Brands Digitally

IAB aspires for brand advertisers to enthusiastically embrace the new digital media mix. We created new brand canvasses via **Rising Stars** that fully tilt the overall IAB portfolio balance away from direct response; led the industry to a media trading currency via **Making Measurement Make Sense** that brands can embrace while publishing arguably the only intellectually sound treatise on “engagement;” aligned all **IAB Mobile Marketing Center of Excellence** efforts around brands and away from direct response banners; extended IAB brand programs across borders, from the UK to Japan; and captured industry thought leadership via a definitive Native Advertising Playbook and the Premium Publishers Task force.

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The result of this combination of walking-the-walk and talking-the-talk can be seen in a unique 4th quarter phenomenon. At the end of the year, we saw a strong uptick in inbound requests for sharing our brand thought leadership from agencies, publishers, and marketers—in contrast to a year ago when we were focused entirely on outreach. JWT, Grey, and BBDO, three of the largest global creative agencies, Post Foods, Pinnacle brands, and the agencies of AT&T and Unilever sought our guidance on online brand advertising. We will continue to proactively make the case for digital brand advertising in 2014 with a purpose-built **IAB Road Show** that will drive home our brand advertising thought leadership with senior level influencers at Marketers, IAB members, and agencies.

The **Rising Stars program**, designed to offer brand marketers irresistible canvasses across screens that enable creativity at scale, reached a key milestone when, at the 2014 Annual Leadership meeting, the Digital Video Rising Stars will be added to the IAB Standard Ad Unit Portfolio. This marks the completion of an intense, multi-year process of rapid innovation; the Portfolio is now 70% new, with over half of the legacy units retired and replaced with new formats designed to allow for rich interaction “on the page” in display, mobile, and digital video. While we are pleased with that accomplishment, we are not resting on our laurels; **Rising Stars NEXT** is working to solve the new challenge: determining “what’s next for the IAB Standards in a world where content is fluid across screens?” The program Steering Group is comprised of experts from across the digital advertising ecosystem from agencies, publishers, and ad tech who work to bring engaging experiences to consumers on behalf of brand marketers.

The IAB, in sponsored partnership with Vibrant, completed the final phase of a study of **Mobile Rising Stars ads effectiveness**. The collaborative research program proved these formats are extremely effective. The Mobile Rising Stars Research compared IAB's new mobile ad formats known as Mobile Rising Stars to existing standard mobile ads. Consumers were shown ads with the same creative but different ad formats on their mobile phones and tablets, their interactions were measured and they were given a brief ad effectiveness survey. Results across three ad campaigns show that consumers are twice as likely to interact with a Mobile Rising Star ad as a standard mobile ad and have higher brand lift after interacting with a Mobile Rising Star ad (83% more likely to have an improved impression of the brand, 74% to recall the brand, 22% to recall the message

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and 12% to recommend the brand).

Moving Mobile Mainstream

The economic value of mobile marketing and advertising must be realized. While significant challenges abound, IAB sees the mobile marketplace progressing in this direction.

The **IAB Mobile Marketing Center of Excellence**, under Vice President for Mobile Anna Bager, finished 2013 in a very strong position, with 47 member companies currently contributing to its finances and leadership. We have assembled an ambitious and exciting agenda of research, thought leadership, and industry-defining projects for 2014, and look forward to updating you on those as the year unfolds.

We kicked off 2014 with an industry Town Hall conversation on January 16 titled, “**Re-Defining Prime Time: Capitalizing on Cross-Screen Moments.**” This event featured strategic insights and deep research from Facebook, the New York Times, and AOL, all illustrating the depth and degree to which mobile is changing the way the consumers go about their day-to-day lives. This event attracted approximately 60 leaders from the mobile center, ad sales, and advertising communities to discuss and debate not just how mobile affects consumer behavior but in turn how that affects the way we all run our businesses.

We continue our work on identifiers (“The Future of the Cookie” Project), releasing whitepaper via a second mobile-focused Town Hall conversation on January 28, attended by leaders from the mobile, ad operations, and ad technology communities.

We completed our first **Buyer’s Guide to Mobile Video Advertising**, a simple and straightforward overview of the ins and outs of mobile video, explaining how it is similar to, and how it differs from, PC-based digital video ads. This buyers’ guide, the first output of our Mobile Video Task Force, will serve as a foundation for activities throughout 2014, including an Agency Day focused on this exciting subset of mobile advertising.

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On the research front we released our third annual study of **mobile holiday shopping**. This year we looked closely at parents' plans to leverage their mobile phones to help with holiday shopping for their kids. We also examined kids' access to smartphones, and, as every parent will attest, the tendency to purchase and download apps for kids, even on a parent's device.

In early January, the Mobile Center published a manifesto on our ongoing work specifically looking at **mobile real-time bidding (RTB) and programmatic buying** in the form of an IABlog post. The Mobile Programmatic Working Group was very engaged in 2013 and we look forward to using this document as a blueprint for activities in 2014.

The Mobile Center also published an update to our periodic study of phone and tablet ad formats. This update, based on a survey of ad sellers, is titled, "**Prevailing Mobile Ad Formats.**" It helps the industry and IAB understand which ad sizes have strong traction in the marketplace, and whether there are emerging formats to which we should be paying closer attention.

Finally, the Mobile Center continues to promote key reference and educational materials available on iab.net: Tap Into Mobile, IAB Mobile Value, and our showcases highlighting Smartphone Ad Creative and Tablet Ad Creative. We continue to encourage IAB members point clients to these resources as impartial, independent educational tools.

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

A number of new members joined the IAB since November 2013. We are currently in the midst of 2014 membership renewals and are pleased to have relatively few non-renewals and record collections figure at this time of year. We're excited to welcome the new additions to IAB Membership listed below. With **13 new General and 13 new Associate Members**, our current total General and Associate Membership is **586 strong**. Notable new members include Monster,

New York Daily News, Live Nation, Onswipe, GroupM, and SapientNitro. The Long Tail Alliance now includes more than 1,100 members.

Organization Name	Member Type
General	MONSTER
General	Boston Globe Media
General	New York Daily News
General	Live Nation Entertainment
General	Aisle A
General	Beachfront Media
General	Mirriad
General	PadSquad
General	Podtrac
General	triviaBids
General	JiWire
General	Onswipe
Associate	Factual
Associate	GroupM
Associate	JW Player
Associate	Monotype
Associate	SapientNitro



Associate	TapCommerce
Associate	TreSensa
Associate	AdYapper
Associate	Altitude Digital
Associate	Crowdtap
Associate	Demandbase
Associate	Moontoast
Associate	Vidible

Thousands of executives from IAB member companies participate in our Committees and Councils, which are overseen by Vice President for Member Services Julie Van Ullen and her team. Their activities are critical to improvements in our industry, as well as to the creation of a sense of community and purpose within the fast-moving digital ad industry.

Public Policy

Government surveillance continues to drive the global debate on big data and consumer privacy. Just prior to the Martin Luther King holiday, President Obama made his second major speech to address public concern with how the government accesses their information, including the NSA’s metadata phone records program. However, a new talking point has emerged this time around; in an attempt to deflect attention away from their potentially unconstitutional bulk collection program, the Administration is calling for further review of industry data collection practices. In a recently conducted **IAB survey of thousands of American consumers about privacy**, we demonstrated that the vast majority of individuals are more concerned with government access to this type of data and that most consumers understand that their web browsing behavior will be used for more benign marketing practices. When queried about their privacy concerns, consumers

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consistently rank data security and identity theft at the top of the list, with marketing practices barely registering. Armed with these data points and the well proven success of the Digital Advertising Alliance's self-regulatory program, IAB has redoubled our efforts on Capitol Hill, within the Administrative agencies, and across global and state policy venues to protect the responsible use of data by the digital advertising industry.

In our last report, we highlighted the expanding policy agenda facing our industry and that trajectory continued this past quarter, adding comprehensive **tax reform** to the agenda. Tax reform is a multiple year-long Congressional process that was recently put into motion with concrete proposals emanating from each Chamber's respective Committee on taxation. Specifically, the Senate Finance Committee and House Ways and Means Committee proposals would reclassify the current standard business 100% advertising deduction as a cost recovery, whereby companies would only be able to deduct 50% of the advertising expense in the first year, and the remaining 50% over the course of 5 years. Through our CFO Council, we organized a **letter of opposition** to this proposal, which was signed by financial representatives of nearly 40 IAB member companies.

This effort represents the first time a purely digital voice has advocated for the fair tax treatment of advertising expenses. Our message is resonating and work on tax reform is likely to continue well into next Congress.

We continue to build out our **global policy agenda on free trade**. We are currently partnering with the United States Trade Representative's office to craft workable data-sharing principles in trade agreements being negotiated with the European Union and 12 Pacific Rim countries. We have helped shape U.S. feedback on country-specific proposals, such as a Vietnamese plan to require local notification before any digital advertisement could be displayed within their borders. IAB is also lobbying Congress to pass Trade Promotion Authority, which would create a fast track process for the negotiation and enactment of new trade pacts.

Research

The research produced by the IAB research department helps guide industry decision makers and supports the IAB as a thought leader.

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Timed to coincide with Auto Week in Detroit, the IAB released "**Digital Influence on Auto Intenders**," which highlighted the digital and mobile behaviors of Americans intending to buy an auto in the next 6 months. The study showed that Auto Intenders are more likely than the general population to be immersed in digital and mobile media: more apt to own and use digital and mobile devices and are more likely to regularly conduct a wide range of online activities from streaming video to researching products to doing a search after viewing an auto ad. Auto Intenders are also more influenced by all media than the average American, particularly digital and mobile advertising, proving that cross device advertising is the best way to reach them. "Digital Influence on Auto Intenders" was covered by many media outlets, including an exclusive in AdWeek and the lead story in its newsletter, garnering over 820 shares and numerous tweets from auto executives like Scott Monty at Ford and Charlie Taylor at Volkswagen.

The Research Council under Director Kristina Sruoginis's leadership formed the **IAB Data Measurement Working Group** with the goal of clarifying how data are gathered, assimilated and reported, so the research community can vet and utilize data more effectively. This is a critical

foundation for greater transparency and better integration across the research and data science communities. Slated for release in the first quarter, the group is producing the first ever one-sheet that shines a light on data sources and methodologies that are used to further process data into the resulting segments that researchers employ throughout the digital ecosystem.

In MediaPost, Sherrill wrote about **new exploratory research** designed to understand the consumer experience with content on sites belonging to media brands that originated in the analog world, as well as on sites born in the digital age and used the news genre as the test case. The findings suggest that a reinvention of consumer experiences with content brands is taking place and that as an industry, we can develop a new content "**brandscape**" that will be a fruitful source of advertiser value propositions. The research deployed two distinct methodologies, both powered by our IAB IPSOS HearWatchSay community of 5000 consumers. We talked with news consumers about why they go to their favorite news sites, general news, entertainment news, and technology news, and then used the conversations to develop a survey that garnered 600 respondents, members of HearWatchSay. The findings showed that news consumers want and use a menu of sites for very distinct reasons; they readily identify those factors, as well as discern between the



experiences. We plan to convene interested publishers to drill down on the findings and the possible applications.

The **IAB Interactive Advertising Outlook 2014** was presented at the JPM Virtual Ad Summit. The report contains a cornucopia data and intelligence that highlights internet ad revenue trends and shows the current state of the digital ad industry. It further portrays the future of digital in an always-connected, digital-everywhere world powered by the internet of things.

International

Spearheaded by EVP & CMO David Doty, along with Senior Director of International Alexandra Salomon, IAB International has developed into a significant core capability at IAB. Expanding the already strong and collaborative IAB global network, we kick off the year with strategic discussions nearly complete for the addition of an **IAB in China**. This new organization would leverage the IAB brand and best practices to advance the industry's interests in this critical marketplace where there are a staggering 618 million internet users.

With South Africa's Digital Media and Marketing Association (DM&MA) decision to rebrand itself, **IAB South Africa** recently launched as part of the global network. This addition marks the first IAB on the African continent and provides digital companies in that marketplace as well as multinational organizations.

IAB Europe has made great strides under the leadership of interim CEO Eric Urdhal and Chairman of the Board Constantine Kamaras. The search for a permanent CEO is well underway, and the organization is seeing new growth, with members such as AppNexus and the Rubicon Project coming on board. The European Interactive Digital Advertising Alliance (EDAA), chaired by Nick Stringer, Director of Regulator Affairs at IAB UK, just published its first annual report in 2013, highlighting the pan-European self-regulatory initiative to provide consumers with greater transparency and control over digital ads based on browsing activity.

The **International Membership** program has been growing steadily to now include executives from France, Ireland, Russia, Romania, Sweden, and Turkey, thereby bringing a more global perspective to the IAB committees, councils, and working groups.

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The centrifugal force of IAB International has never been stronger as we pursued a consistent calendar of education and best practices exchanges. One aspect of that effort has been the International webinar series, which has proved to be an enduringly valuable program for opening meaningful debate and discussion on key industry issues affecting the global digital community. The series launches in 2014 with the first one focused on Digital Video and the V-Suite technical standards.

One key indicator of the ever-closer relationships we have with IABs and the entire industry around the world is the robust international attendance at IAB events in this country. Nearly 20 executives from 15 different countries are due to participate at this year's Annual Leadership Meeting.

With IAB representation now in 40 countries, and a regional IAB Europe, IAB is influential in driving the interests of our members across the globe—from the adoption of standards, guidelines and best practices, to building professional development and certification programs and conducting

insightful and impactful research. All these efforts help our members cultivate new markets and develop their businesses across borders.

Events

IAB Events continue to be a convening platform for industry thought leadership as well as a healthy revenue source for the organization. Overall in 2013, more than 6000 attendees passed through 22 events in 8 cities, generating \$2.95 million in gross profit and \$1.75 million in net profit, which represents an over-performance against plan of 5% and 7% respectively. The year closed with a sold-out Ad Operations Summit that generated a record-breaking \$430K in revenue.

2014 is off to a strong start with the upcoming IAB Annual Leadership Meeting. This event has established itself as the central gathering of senior marketing and media professionals to set the agenda for the coming year. Over 1000 attendees will gather in Palm Desert February 9-11, a 28% increase over 2013's attendance. The Annual has also, this year, become the events business's greatest source of revenue, generating \$2.75 million in gross profit, a 30% increase over 2013. While MIXX is likely to continue contracting due to a crowded, somewhat fragmented market



around Advertising Week, the increased revenue and industry impact of the Annual more than makes up for any softness there, keeping the overall business in growth mode.

The team, which recently hired two new staffers, is now able to add focus and capabilities beyond the existing conference portfolio, working on creating new custom event products, as well as partnering with other groups inside the organization to monetize events and gatherings they're responsible for.

Marketing

Under the leadership of David Doty, Marketing Senior Director Chris Glushko, and Public Relations Consultant Laura Goldberg, Marketing drove success for IAB initiatives across a number of dimensions. The team placed special emphasis on creating educational platforms for the industry and making IAB leadership in mobile a top priority, communicating it through a number of key outlets. Together, these efforts and more delivered deliberate communications results for key IAB objectives.

In support of **Building Brand Digitally**, Marketing produced the first-ever “**2013 IAB MIXX Awards Insights Report.**” The report takes a revealing deep dive into a curated collection of select winning campaigns, providing analyses on what works and why through the eyes of top digital marketing leaders. Insights on emerging trends and expert commentary on each piece of work are woven together with campaign case studies as well as video interviews. Sponsored by Microsoft, the report was released online on December 12 and covered in an exclusive in *Business Insider*. A print version of the report will be distributed in early February at the IAB Annual Leadership Meeting.

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IAB MIXX AWARDS 2013 INSIGHTS REPORT:
WHAT WORKS & WHY
LESSONS LEARNED FROM THE YEAR'S BEST WORK

Building deeper, direct relationships with many agencies remained a top priority. Through **presentations at major agencies** in October and December, David and Head of Brand Initiatives Peter Minnium took key IAB messages to 64 senior and mid-level executives at Grey and BPN. David and Peter have now reached hundreds of leaders at 34 agencies. This program has driven deeper agency engagement with IAB initiatives as seen in an uptick in conference attendance from visited agencies, IAB MIXX Awards submissions, Rising Stars adoption, requests for research participation, inquiries about membership, and interest in potential buy-side professional development and certification programs.

In order to better communicate all advancements by the Mobile Center, the team redesigned the Mobile Center area of IAB.net for greater clarity and user experience. As part of the redesign, they

created a new feature that spotlights individuals from Mobile Center member companies who go above and beyond in contributing their time and effort to advancing IAB initiatives. The first spotlight was Anne Frisbie, VP & GM of Global Supply, inMobi, and included a video Q&A on the state of mobile. To close out the year, the team placed Anna Bager on Bloomberg TV's "Surveillance" to discuss mobile's outlook for 2014.

The **Digital Simplified** program, which makes IAB initiatives more accessible to the broader industry, propelled all of the five key IAB agenda items. Marketing continued to develop more

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content for this program designed to break down walls that often surround the complicated subject matter of the digital advertising industry. New topics covered include Programmatic Transparency, Programmatic Sales Capabilities, Mobile Cookies, Understanding Traffic Fraud, and V-Suite. These subjects add to the growing library of digital simplified videos and documents about IAB Digital Sales Certification, SafeFrame, and Programmatic & Automation.

IAB industry influence increased significantly in 2013, through the uptick in press stories, social media engagement, and audience interaction with owned content. Average press stories per month in 2013 closed out at a 5% increase to 1,575, up from 1,493 in 2012. Monthly record highs for press coverage occurred in October and November with 2,154 and 1,470 stories in each month. Marketing's social media strategy drove record engagement across a number of platforms. **Twitter followers are at 44,805, up 32%** compared to 2012. **Facebook fans were up 19%**. Total impressions from Facebook posts in December 2013 reached 103,225, an increase of 45% compared to December 2012. The team also leveraged LinkedIn more. **LinkedIn Group members are at 6,493, up 20%** from December 2012. The IAB LinkedIn page achieved its second-highest amount of monthly impressions ever with 64,923 in December 2013, an increase of 24% over the previous month, led by announcing the release of the IAB Native Advertising Playbook.

Marketing's strategy to make the **IAB Blog and IABtv** sources of thought leadership continues to result in increased engagement online. IABlog posts from October-December were shared across social media 557 times, up 72% from same period in 2012. The team sourced content from across the IAB spectrum. Authors included new IAB Publisher-in-Residence, Peter Naylor, on "8 Headlines For Digital Publishers To Ponder"; Sherrill Mane, who answered marketplace questions about the

IAB Internet Advertising Revenue Report; Mike Zaneis and Alex Propes, who promoted the release of the Online Legislative and Regulatory Tracker and, in another post, made sure the ecosystem is aware Congress has drafted a tax reform bill that would include Internet advertising; Peter Minnium, who spoke with RJ Palmer's James O'Neill and Jivox CEO Diaz Nesamoney on the power of the Digital Video Rising Stars; Sabrina Alimi, who discussed IAB Mobile Center's new mobile discrepancies whitepaper; IAB Content Marketing Task Force co-chair Andrew Susman, who generated awareness of the IAB Content Marketing Primer; and Carl Kalapesi, who wrote about a



new IAB performance marketing whitepaper. IABtv had its highest viewership ever for October-December, with 40,413 views, up 41% compared to the same period in 2012. During this time, eight of the top 10 most-viewed videos were about IAB Rising Stars. Overall, traffic to IAB.net was on an upward trend in 2013. Average monthly unique visitors were up 17% in 2013 to 121,125 from 103,615 in 2012. Additionally, page views are up 11% in 2013 compared to 2012 and up 23% for the fourth quarter.

Financial Management

Under the leadership of EVP & COO Patrick Dolan IAB finances reached record levels. According to financial projections based on the first 11 months of the year, **topline revenue will break \$20 million** for the first time in our history, representing an increase of 4% from the budget of \$19.3 million. For 2013, dues revenue will reach a record high of \$9.8 million, approximately \$500,000 over budget. This landmark was achieved through minimal member attrition and a greater number of new members. The financial goals of the events business were reduced to account for the business' maturity, and additional investment was dedicated to help invigorate this area. The efforts have shown early signs of success, as 2013 events revenue will be slightly over budget at \$6.3 million. We raised additional revenue through initiatives including sponsored research, professional development and certification programs, rental of the Ad Lab, international licensing fees, and other fundraising programs.

In 2013, IAB invested heavily in programs to help member businesses excel, and IAB planned and executed a contribution to its financial reserve. It is the first time since the recession that we were comfortable enough with the health of the industry and IAB to budget for both. The initiatives which received the greatest financial support during the year included the Quality Assurance

Guidelines program and other trust-building endeavors; Making Measurement Make Sense which accomplished major advancements toward launching the viewable impression standard; and IAB Certification Programs which evolved professionalism and expectations of expertise across the industry. The financial well-being of the IAB is a testament to the prosperity of the industry it supports.

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Amid a media trade association landscape that continues to face challenges, I am pleased by IAB's relative strength and stability, and our ability to continue to deliver the value to our members outlined above. This would not be possible without the commitment from these companies, 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.