



President's Report

A Post-Banner Year

November 8, 2013

By Randall Rothenberg

The digital advertising industry is concluding 2013 on an impressive growth trajectory, fueling excitement across our industry, as new startups, innovative content plays, and ad technology IPOs all appear to be flourishing. But taking a telescope to the trends, IAB detects some dark matter – challenges to the industry's opportunities that we are addressing with current programs, and with the new five-year plan we are presenting to our Board of Directors today.

During the first half of 2013, internet advertising revenues surged to \$20.1 billion, the first time half-year revenues breached the \$20 billion barrier, according to our benchmark IAB Internet Advertising Revenue Report, prepared by PwC US. This represents an 18 percent increase over last year's first-half ad revenues of \$17 billion. About one-third of those revenues were online display or display-related, a category that grew 9 percent during the period.

Mobile advertising revenues are the most striking part of this tale, reaching \$3 billion during the first half of the year, representing 145 percent growth in the segment from the previous year. Last year, mobile advertising accounted for \$3.4 billion in spend for all of 2012. Importantly, mobile is now accounting for 15 percent of total digital advertising spend. Digital video advertising also continues its strong growth, taking in \$1.3 billion in revenue during the first six months of 2013, up 24 percent over the first half of 2012. Retail and Financial Services remain the largest advertiser categories.

But for all the growth, we do not see its benefits spreading equally across all segments of our industry. Primary content publishers still find themselves challenged to develop revenue streams aside from classic banner ads, which have been and remain price-challenged. And as programmatic buying grows, more and more intermediaries are creating more and more confusion in an already complex supply chain, and taking increasing transaction fees from precious advertising dollars.

Another challenge is our industry's historically open supply chain – a source of innovation, to be sure, but also a source of vulnerability, as data leakage, consumer privacy, and fraudulent traffic prompt marketers to wonder about their brands' safety in such porous environments.

It is at this moment of significant success, with digital ensconced as the second largest advertising medium in the U.S. after broadcast television and as the fastest growing medium of all over the past eight years, that our industry, with IAB in the lead, should turn its attention to resolving these and other problems that could threaten

our dominance. That is the prelude for this review of our major activities since our last Board meeting in Chicago in June.

Building Brands Digitally

While activities in support of higher brand expenditures cross the spectrum of IAB initiatives, including measurement (e.g., 3MS), ad tech and ops (e.g., the V-Suite video standards), public policy (e.g. protecting privacy), and the cross-screen focus of the IAB Mobile Marketing Center of Excellence, the core component in our brand advertising story continues to be the **Rising Stars program**, designed to offer brand marketers irresistible canvasses across screens that enable creativity at scale and led by Head of Brand Initiatives Peter Minnium.

The **Digital Video Rising Stars** Style Guide and Technical Specifications were released for public comment in October, after the 12 winning companies – CBS Interactive, Celtra, DG MediaMind, DoubleClick, Innovid, Jivox, Microsoft Advertising, Mixpo, Spongecell, Tremor Video, Yahoo! and YuMe – collaborated within working groups to create consistent implementations for each. With these consensus style and technical guidelines just hitting the marketplace for public comment, the Digital Rising Stars have already been used by 21 of the top 25 brand advertisers in the U.S., including AT&T, Budweiser, Chevrolet, Citi, Ford, Geico, Home Depot, Honda, JCPenney, L'Oreal Paris, Macy's, McDonald's, Microsoft, Nissan, Samsung, Sprint, Subway, Target, Toyota, T-Mobile, and Verizon. Multitudes of other major brands have also utilized the Digital Video Rising Stars to take advantage of their strong engagement, branding, and interactive capabilities. Look for the successful Ad Formats to graduate to the IAB Standard Ad Unit Portfolio at the 2014 Annual Leadership Meeting.

The **Mobile Rising Stars** became part of the IAB Standard Ad Unit Portfolio at the IAB Cross Screen event on June 10. Results are in for the first two phases of an extensive consumer study looking at all five Mobile Rising Stars across phones and tablets with three national brands (Oreo, Hellmans, and Microsoft Lumia). They show clearly that interacting with IAB Mobile Rising Stars leads to significantly higher brand and message recall, and that the units deliver a more rewarding and satisfying user experience (<http://goo.gl/rsZoEa>). Phase three of this research with an additional vertical is already underway. In addition to lifting brand metrics, research released in the quarter from Celera, the mobile rich media provider, shows expansion rates for the Mobile Rising Stars six times higher than standard banners and, importantly, a dramatic reduction in accidental clicks (the "fat finger problem") to just 6.1% from the 20-40% reported elsewhere.

The IAB Portfolio has come a long way in the past two years and 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. The **Display Risings Stars** are now commonplace, in particular the IAB Billboard, which regularly graces the homepage of the likes of the NYT, ESPN, Yahoo!, and Youtube, among others. This is important as the vast majority of ads move through an IAB standard and the better the standards, the better the ads. While this is a significant accomplishment that the industry continues to absorb, viewers are using digital media in new ways while publishers and technology companies enable even better content experiences



across screens. The IAB Standard Ad Unit Portfolio must keep pace. With this in mind, **Rising Stars NEXT** launched in the quarter, with the goal of determining “what’s next for the IAB Standard Ad Unit Portfolio in a world where content is fluid across screens?” The program Steering Group is comprised of folks 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 group will directly influence the direction of the next phase of the IAB Rising Stars program.

Making Measurement Make Sense (3MS)

3MS and **the transition to viewable impressions** for online brand advertising continue to move forward. With SVP Sherrill Mane and the ANA and 4A’s leading the initiative, support for MRC and marketplace outreach continue to be at the forefront of the efforts. MRC has begun the vital work of reconciling viewability data that come from multiple vendors in order to provide guidance to the market on acceptable differences for transactional purposes. This is a tremendously important juncture in the drive toward viewable impressions and could only occur after MRC had a critical mass of accredited vendors. Many of our members along with the ecosystem at large, eagerly await the guidance MRC will provide.

Sherrill continues to write and speak publicly about 3MS. On August 20, executives from across the ecosystem spoke at and participated in a Town Hall Meeting, “Spotlight on Digital Video Viewability”. Sixty attendees participated in person at the IAB AdLab. The panel featured Sherrill Mane; George Ivie, CEO and Executive Director MRC; Adam Gerber, VP Sales Development & Marketing ABC TV Networks; Duke Fanelli, CMO & EVP ANA; Tal Chalozin, CTO Innovid; and Julian Zilberbrand, formerly SVP Global Digital Director Starcom Mediavest Group, and grappled with the challenges of reaching consensus on the definition of in browser video viewability.

Nearly as important are the countless conversations with member companies that surface issues and illuminate potential solutions as we near the big change in currency. Inputs from some of the less public conversations also serve to enhance the breadth of viewpoints that are discussed in the many sessions that seek to define and guide the marketplace as we reach the critical turning point to viewability. We believe the transition to viewable currency will be delayed some from its anticipated launch in late 2013, as the MRC works on reconciling the findings from different viewability technology systems.

In addition to ongoing communication about viewability, we have begun to emphasize the original 3MS guiding principles that go beyond viewability. At IAB MIXX, Sherrill led a successful breakout session that focused on identification and standardization of core brand metrics that quantify the value of interactivity. These build on the base of viewable impressions and cross platform GRP’s. The near-term steps are defining digital ad engagement and accelerating standardization of social media evaluative metrics. As you know, the focus of 3MS remains on brand advertising. To begin the hands on work around the engagement piece, we have formed an Executive Working Group on Ad Engagement. The group kicked off its efforts on October 30th. MRC and the IAB Social Media Committee have begun the work on social media measurement standardization.

The third guiding principle of 3MS called for an ad taxonomy and classification that would delineate ad unit capabilities for banner, rich media and video. The broad intention of this principle is two-fold: to simplify the supply chain by creating a standard language around transactions; and to bridge the gap and between an ad being seen and ad effectiveness. This is a critical component in understanding how brand ads drive attitudinal and behavioral change. With help from Peter Minnium, the 3MS team recently convened a group of agency creative executives to vet the proposed 3MS ad taxonomy. The creative feedback was very positive and important in ensuring that all stakeholders can use and benefit from the final taxonomy.

Mobile Marketing Center of Excellence

The IAB Mobile Marketing Center of Excellence, under Vice President for Mobile Anna Bager, has continued to build on its success throughout 2013, with 46 member companies currently contributing to its finances and leadership. We believe mobile has crossed a threshold in the minds of most major marketers: it's no longer a question of *whether* mobile needs to be a part of a media plan, but rather *how* to leverage mobile effectively.

The Mobile Center has been busy on an international front. First, working with IAB Europe and IHS Electronics & Media, the Mobile Center released a new look at **global mobile ad revenue**. This second annual report shows global mobile ad revenue stood at \$8.9 billion for 2012, a remarkable 82.8 percent increase year-on-year. Regionally, North America and Asia-Pacific were virtually tied in leading the world in mobile ad revenue. Second, the Mobile Center worked with IAB's Research team to produce "**Mobile's Role in a Consumer's Media Day in the United States and in China: The Smartphone as an Extension of the Self and an Extension into the World,**" a research collaboration with China's IIACC that revealed that media consumption is more affected by smartphone ownership in China than in the US. Third, the Mobile Center published a second edition of the IAB Global Mobile Anthology, a snapshot of the state of mobile and IAB mobile activities in 13 countries around the globe. Finally, the Mobile Center has been visible in a number of key international events, with a strong presence at the Cannes Lions Festival, where Anna and Randall both spoke, and during which the Mobile Center released "The Mobile Manifesto," an in-depth survey of leaders of mobile creative agencies delving into their thoughts on what makes great mobile creative.

Anna also spoke at IAB Guldtagen in Oslo and IAB Sweden's mobile event as well as many others. Joe Laszlo, Senior Director of the Mobile Center, spoke at an IAB UK event on MRAID and presented on trends at IAB Netherlands's Mobile Inspiration Conference in early November.

The Mobile Center engaged Ovum to conduct a survey of 300 marketer decision-makers who are spending on mobile. This complements and builds on a 2011 research initiative, enabling us to trend several key questions. The survey revealed marketers' mobile needs and desires, interests in new trends and technologies, and their mobile spending plans. Among other findings, the study showed that the number of marketers who maintained annual mobile budgets exceeding \$300,000 more than quadrupled, rising from 7 percent in 2011 to 32 percent in 2013.

Tap Into Mobile continues to be a valuable educational resource helping marketers develop their mobile web strategies. To that effort we added a new section of IAB's mobile website called IAB Mobile Value. This site helps marketers understand and calculate the return on their mobile investments, incorporating user-friendly tools

for valuing in-store sales, app downloads, visits to a mobile site, cross-device usage, and phone calls. It also includes useful case studies to help marketers ensure they are assessing their mobile efforts accurately. We hope IAB members point clients to both these free resources as impartial, independent educational tools.

We continue to work with our colleagues on IAB's Ad Tech team to clarify technical aspects of mobile ad creative, delivery, and measurement. We completed "**HTML5 for Digital Advertising 1.0: Guidance for Ad Designers & Creative Technologists**," which addresses inherent challenges in leveraging the new content mark-up standard, while providing a series of time and cost-saving recommendations for ad designers transitioning from Flash or other earlier developer tools. We continue our work on device identifiers ("The Future of the Cookie" Project) and in early November released a paper titled "**Mobile Cookies 101**," to answer some of the common misconceptions about the availability and reliability of cookies for ad tracking and targeting on phones and tablets. Finally, the Mobile Ad Ops Working Group, released "Mobile Discrepancies: Exploring Common Root Causes," a paper that summarizes the conversations at the two Mobile Discrepancy Working Sessions held earlier this year. It explains causes of, and suggests solutions to, ad count discrepancies for mobile campaigns.

The Mobile Center finalized much-needed guidelines on both **Mobile Web** and **Mobile Application Ad Measurement** in July. These two guideline documents provide a comprehensive industry best practice for counting mobile ad impressions, and establish a placeholder for future work on mobile ad viewability under the auspices of Making Measurement Make Sense (3MS). We are pleased to note that several members are currently undergoing audits, holding themselves to the standard these guidelines establish. Also on the measurement front the Mobile Center held a first-ever industry Town Hall conversation on the state of mobile audience measurement in October. This half-day meeting created an opportunity for measurement experts on the buy and sell sides to come together with measurement providers to discuss how mobile audience measurement works today, areas that require improvement, and what's ahead in a world of cross-media audience measurement. The Mobile Center looks forward to playing a leadership role in this important area.

The Mobile Center successfully completed its work with the Digital Advertising Alliance, launching the DAA's new guidance for **Application of Self-regulatory Principles to the Mobile Environment** on July 24. The DAA expects to issue an implementation document early next year to provide further guidance to mobile companies. In addition, the working group will soon turn its attention to creating a cross-platform consumer opt-out tool.

Advertising Technology

The IAB Ad Technology team, under the leadership of Vice President for Ad Technology Steve Sullivan, is responsible for two influential IAB councils, Advertising Technology and Ad Operations. Between the two councils there are a large number of technology projects under management. For this reason the group has decided on a communications strategy that focuses on four specific initiatives: SafeFrame, Digital Advertising Automation, Data, and Emerging Innovations.

Having successfully released the final version of the **IAB SafeFrame specification 1.0** at the 2013 IAB Annual Leadership Meeting in Phoenix, IAB staff are aggressively addressing adoption on both the buy and sell



side. 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.

After many years of effort it appears that 2013 will see significant, conclusive achievements in the area of **Digital Advertising Automation** (formerly referred to as eBusiness). 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 order and invoice. This optimism springs from recent movement on the part of major vendors in the field as well as at least one strategic partnership between a large publisher and agency holding company. Many other vendors, publishers, and agencies are also in the midst of or planning to implement the standardized insertion orders and invoices that were defined last year by the Digital Advertising Invoice Task Force. These parallel efforts are being tracked and supported by the cross-industry DA Automation Task Force, which is focusing on sharing implementation reference documentation and solidifying the standardization that was previously established.

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.

Ad technology staff engaged in a collaborative effort between the Ad Ops Council and the Mobile Marketing Center of Excellence on the creation of an HTML5 creative task force. Recognizing the burgeoning demand for cross-screen creative solutions, the group's first document, **HTML5 for Digital Advertising 1.0** was released in July supplemented by an HTML5 Resource Wiki. The document represents general guidance for HTML5 ad creation to designers and developers transitioning their skillsets, while also driving awareness of potential scalability, workflow, and performance challenges associated with HTML5 adoption. The task force is moving into its second phase, focusing on education and maintenance on the materials already created, while also identifying new areas of development. The group completed its first task in its educational mission by delivering a webinar on October 23rd to discuss HTML5 for Digital Advertising, http://www.iab.net/events_training/webinars/archive



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 over 250 executive-level thought leaders from across the digital marketing industry to get a better understanding of the impact that programmatic buying techniques is having on the digital marketing industry. The whitepaper shows that a majority of advertiser and publisher 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 peek 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?"

IAB's **Quality Assurance Guidelines (QAG)** initiative, initially created solely for Networks and Exchanges, promotes the growth of the industry by ensuring brand safety through self-regulation, has been expanded. As the industry has evolved and brand safety needs continue to grow, so must transparency in order to facilitate it. To accomplish this goal, the IAB, has convened the QAG Evolution team. The team is comprised of leaders from 24 companies representing both buyers and sellers. The team has been tasked with updating and broadening the scope of the guidelines to ensure they remain relevant in today's market. QAG 2.0 specs are expected to enter public comment in the next few weeks and launch in April 2013. The new section of the IAB Site iab.net/qaginitiative will give you a deeper view of the latest updates.

Public Policy

In our last report we highlighted the intense scrutiny that consumer protection was receiving at the Federal and state levels, highlighting the burdensome proposals being aimed at our industry in the California state legislature. The IAB was able to stave off a number of the most broad-based attacks in that venue, with a potentially devastating privacy ballot initiative being dropped due to the cost it would impose upon the California economy. Another positive outcome was obtained on the state "Do Not Track" proposal. We were able to amend the bill to allow participation in existing self-regulatory programs like the DAA to satisfy the transparency requirements contained in the new law. These victories in the face of immense political pressures demonstrate the effectiveness of the digital ad industry's advocacy campaigns. We will need to redouble our efforts on the state front in 2014.

In Washington, DC, the IAB continues its steadfast work to protect the industry and to promote balanced consumer privacy protections that foster economic growth and innovation. However, our political agenda has

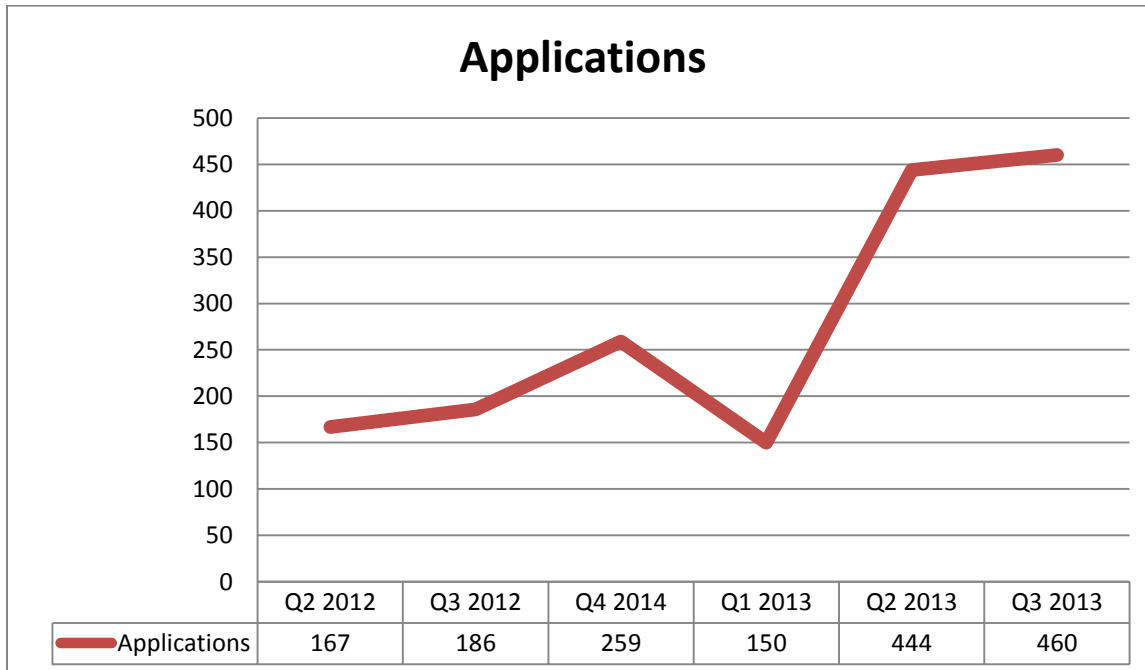


expanded in a number of important areas. On Wednesday, September 18, I testified before Congress about **the need to better combat online piracy**. One of the best solutions to the problem of advertising-supported sites dedicated to copyright infringement is the expansion of the IAB’s Quality Assurance Guidelines program. Independent research has demonstrated that QAG compliant networks are less likely to operate on pirate sites and if their inventory unintentionally appears on such sites, they are more responsive to rights holders requests to cease such operations than non-QAG networks. IAB is committed to strengthening intellectual property protections in the marketplace and securing the digital supply chain.

In addition to expanding our agenda, we have also grown our public policy team. Alex Propes joined the Washington office this Summer, bringing a wealth of international experience. Alex has quickly developed the industry’s global trade policies, which is vitally important as the U.S. and EU enter into bilateral negotiations on a historic free trade agreement that could open up exciting new market opportunities for the digital advertising industry. We are currently creating a transatlantic coalition of IABs to foster cooperation and the promotion of a joint trade agenda. This promises to be a long, but prosperous road for the industry as we create the world’s largest free trade zone.

Training and Development

The **Digital Media Sales Certification** program has just completed its sixth testing window (the last of 2013) and, with final results still being tabulated, is closing in on 1,300 certifications after 18 months of operation. Applications are on the increase, thanks to the success of the Corporate Partner Program.





Among the participants in the program are AOL (400 candidates), Yahoo! (commitments for 300), Condé Nast (commitments for 200) and Google (internal promotion to all Account Managers). Several hundred more candidates are already in the pipeline for future testing windows.

The **Digital Ad Operations Certification** program launched this fall, with its first testing window currently underway and more than 100 candidates scheduled to take the exam. This is the first certification exam that is designed for buy-side as well as sell-side. Charter members Operative and Theorem showed their commitment to the program by purchasing blocks of 100 and 50 seats, respectively. Other companies that were involved in the development of the program include Facebook, Hulu, Google, AOL, Pictela, ADTECH, Carat, MindShare, Tribune, FreeWheel, Universal McCann, Pandora, Rubicon Project, Disney Interactive, MediaCom, NBC Universal, Univision, and Pointroll.

The IAB is working with international IABs to market both the Sales and Ad Operations certification programs. By offering a flexible revenue sharing plan that allows local IABs to set the price for the exam, we expect gradual global adoption, especially in English-language countries. A third certification program, designed for agency planners and buyers and brand marketers is currently under discussion, with a final go/no go decision expected by the end of the year.

As the first batch of sales certifiants approach the end of their initial two-year certification period, the IAB is launching a continuing education program that capitalizes on our members' knowledge and expertise in a variety of areas. Called **IAB University**, the program will create a member-based "faculty" that provides no-cost and low-cost learning opportunities at the IAB Ad Lab and their own offices. IAB events, webinars, and Town Hall meetings will also qualify for Continuing Education Units and provide an easy path towards recertification. Application for accreditation with ANSI (American National Standards Institute), one of the principal accreditation bodies for professional credential programs, is now in the planning stage. Application will begin Q1 of 2014 and the process is expected to last several months. Preparation for application includes developing and refining governance procedures, secure information systems, creation of ethics, disciplinary, appeals, credentials and recertification committees, and expanding the Commission on Certification.

International

Under the leadership of EVP & CMO David Doty, along with Senior Director of International Alexandra Salomon, the IAB global network is stronger than ever, with 40 international licensees focused on the growth of digital advertising.

On September 25-26, the **IAB Global Summit** gathered nearly 100 senior digital executives from 27 countries, in from as far as New Zealand to as close as Canada, and including members of IAB US. During the two-day conclave, there was robust debate designed to spotlight the most important global trends in investment and innovation, to share ideas, and to address the most-pressing common initiatives of the IABs and the international digital industry. Joining presenters from the global IABs were such industry luminaries as Mark Renshaw, Chief Innovation Officer at Leo Burnett; Howard L. Morgan, Co-Founder & Partner at First Round Capital; B. Bonin Bough, VP of Global Media and Consumer Engagement at Mondelēz International; and John Montgomery, COO, GroupM Interaction, North America.

IAB Europe, under the leadership of its newly elected board and its new chairman, Constantine Kamaras (Board Member, IAB Greece), has focused its energies like never before on creating a financially sound, policy-intensive, internationally collaborative organization. Eric Urdahl was recently appointed interim CEO, and he will help move forward the search for a permanent CEO, estimated to be in place in early 2014.

The International Membership program has kicked off well with several companies from Ireland engaged in our committees and councils, adding a new international perspective to our initiatives. These new international members will soon be joined by others from Australia, France, Mexico, Russia and more, as the program grows.

As we hear of increased demand for IAB or IAB-like standards, guidelines and best practices in countries where IAB does not yet have a footprint, we are intentionally seeking ways to engage in meaningful discussions and collaborate on specific initiatives in strategic markets like Japan, China and India. For example, the D. A. Consortium in Japan just announced its launch of IAB Rising Stars in that country and is conducting research into their effectiveness in that marketplace. DAC has also translated and published on their subsidiary PlatformOne in Japan the IAB whitepaper "Programmatic and Automation: The Publisher's Perspective", part of IAB Digital Simplified Series. In August, we released "Mobile's Role in a Consumer's Media Day in the United States and China: The Smartphone as an Extension of the Self and Extension Into the World," a groundbreaking joint research project with the Interactive Internet Advertising Committee of China (IIACC) which highlights differences in behaviors and attitudes of mobile consumers in China and the U.S. The IAB brand continues to gain credibility and value, and our exploration in other new markets such as MENA (Middle East North Africa) and South Africa will potentially bear fruit in the coming months.

Research

GRP products are in market from both Nielsen and comScore. Many digital natives are not well acquainted with how TV is planned, bought and sold, and how GRPs have become a cornerstone of the TV market. Kristina Sruoginis, Sherrill Mane and IAB Research Council co-chairs Stephanie Fried and Dan Murphy worked with Nielsen executives to develop a training Webinar entitled, "**GRPs: Understanding TV Ad Buying – And What It Means For Digital**" for IAB members. Understanding how TV ad buying works helps digital sellers better understand the multiplatform context within which digital buyers are looking at digital/cross-platform measurement and allocating dollars to digital inventory. In October, Nielsen presented the webinar to an enthusiastic audience of 183 attendees and sparked a lively Q+A. 3MS calls for standardization of digital and cross platform GRPs in order to accelerate the fluid movement of brand budgets across legacy and digital media. Webinars like this one greatly enhance members' competitive knowledge base.

After a successful 2nd annual Digital Content NewFronts, the IAB surveyed attendees to gauge reactions and future intentions. The findings attest to the success of market making events and to vitality of the digital video marketplace. Attendees, who on average attended at least 3 DCNF events, gave overall rave reviews of the NewFronts with most agreeing that it created buzz and elevated awareness of both original video content and all digital video content. According to the **Digital Content NewFronts Attendee Survey**, 78% of buy-side attendees said they left the NewFronts with at least one new opportunity and the majority (70%) believes that TV budgets will shift even more towards digital video over the next year. Most expect to spend more in

digital video and two-thirds of cross-media buyers expect to have even more cross-media (TV+DV) buys over the next 12 months.

In July, at the height of beach season, the IAB released the **Summer Skincare and Digital Report**, which profiled the media habits and digital influence of *regular* skincare and suntan lotion buyers. The findings showed that this consumer group is more likely than the general public not only to use digital and mobile media, but to be influenced by its advertising. They are more likely to shop online and on their mobile, research products online, search for products and get influenced by search advertising. They're also more likely to watch digital video and watch video ads than the general public, further guiding Health and Beauty brands to reach this coveted target audience through digital channels. .

Committees and Councils

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.

The **CFO Council** held two more **CFO Council Breakfasts**, one in New York and one in San Francisco. These well attended events included finance executives from members such as Say Media, PulsePoint, Time Inc., Brightroll, to name a few. The two main topics of conversation were on how trading on the viewable impression would affect business models and potential tax exposure due to aggressive state and local tax collectors. These breakfasts were underwritten by Operative. The annual **Salary Survey** was released to participating members companies and the quarterly **DSO Survey** was also released to members.

The **Sales Executive Council**, an elite group of sales leaders from across IAB's membership, continues to host discussions and debates around how to adjust for industry shifts like programmatic-buying and the viewable impression along with how to best educate sales teams. The Council works across other Committees and Councils to align on research and standards that will simplify and further elevate the digital advertising value proposition. In September, the Sales Executive Council put on a special **Town Hall on "Native Advertising: Fact and Fiction"** to take a deep dive into the ways publishers are integrating this new demand-side darling into their product portfolios.

The **Digital Video Committee** is in the midst of finalizing important revisions to two key documents: **"Digital Video In-Stream Ad Metrics Definitions"** and **"Digital Video Ad Format Guideline & Best Practices"** The IAB and the Digital Video Committee continue to push for adoption of the vitally important V-Suite video ad serving standards. As part of a larger educational initiative called Digital Simplified, this committee created the narrative and visuals for 3 minute explainer video on what V-Suite is and why it's of importance to the entire marketplace narrated by Teg Grenager of Adap.tv. It's slated to release on November. Mobile video, video viewability, and programmatic for video are hot conversations topics for the group.

The **Multicultural Council** re-orientated its focus 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. To deliver on this the council has created two working groups. The first aims to raise awareness of the value and opportunity in the multicultural space by targeting predominantly general market audience events. The second aims to develop tools to better gather knowledge & research about the value and attributes of this market. In October, the IAB programmed a panel at LatinVision’s CEO Conference in New York showcasing interactive case studies presented by IAB Members Dieste, Briabe Mobile and Terra Networks, moderated by IAB’s COO Patrick Dolan.

IAB’s work on programmatic has expanded significantly in this period. IAB created a new task force in July specifically for our publisher members, the **Programmatic Publishers Task Force**, under the leadership of Alanna Gombert of Conde Nast, to provide publishers a forum to come together to work on issues related to the programmatic agenda and how it affects them. The task force identified three initial issues to focus on - definitions and terminology, sales force organizational issues, and transparency across the value chain – and established working groups to tackle each of these, led by executives from Yahoo!, NBC and Conde Nast. In September, the group released *Digital Simplified: Programmatic and Automation - The Publishers’ Perspective*, the first in a new IAB educational series that offers easy-to-understand documents for the industry. The piece aims to provide clarity, from the publishers’ perspective, on the different “programmatic” transaction types. It outlines the four main ways of buying and selling “programmatically” and provides a clear framework for distinguishing between them. The publisher group also hosted an invite only meeting for agencies and trading desks and an open townhall in November to convene the industry to discuss what areas in the programmatic marketplace need to be improved.

The **Networks & Exchanges Committee** focused its attention on the Network Audience Reach Definition Project. The group held a brainstorming with leading measurement firms to propose ways to develop more effective definitions of audience reach for ad networks and ways to more clearly articulate what is being measured and how this differs across different actors such as networks, exchanges and SSPs.

The **iTV Committee** in undergoing a relaunch to shift its gaze to the Advanced TV/ConvergedTV marketplace. Led by Chris Falkner of NBCU and Adam Lowy of DISH, an elite advisory group has been pulled together to outline the state of the AdvancedTV landscape and the operational inefficiencies therein. Once priorities are set, there will be open seating for this new and exciting initiative that will fall within our overall Digital Video portfolio.

The IAB staff leads on Digital Video initiatives were invited to present on the VAST specification at the Society of Cable Telecommunication Engineers on September 4th. There are currently major interoperability issues in the ways ads are served across various TV apps and Over-The-Top devices which are hindering scalability. This meeting was the beginning to a potential partnership in solving these technical issues building off of current IAB video and mobile ad serving specifications.

The **Social Media Committee** announced a new co-chair, Carine Roman, Head of Global Ad Operations Strategy and Development at LinkedIn who, along with Joel Lunenfeld, VP Global Brand Strategy at Twitter, will add tremendous thought leadership and guidance. The committee meeting theme in July, hosted by OpenX in

Pasadena, California was “Gaining Momentum – 2013.” A working group was formed to update key Social Media primer documents focusing first on Social Media Best Practices. The committee will begin organizing panels for Social Media Week in NYC in February. The IAB will also be an official media sponsor for Social Media Week for the second year in a row.

In August, the **B2B Committee**, in collaboration with Bizo, launched "Building a B2B Brand Online for Dummies," a book designed specifically to help B2B marketers develop and cultivate a B2B brand online through advertising, social media, and audience targeting strategies. The launch was referenced in Business Insider and a blog post titled “10 Ways to Build a B2B Brand Online”, written by Susan Borst from the IAB, that included an infographic, was picked up by Social Media Today on August 17 with significant social sharing. The book is available for free download on the IAB website. In October, the IAB became a media sponsor for the BtoB Magazine Digital Edge Conference where we had a booth exhibit to promote membership and downloads of the “...for Dummies” guide.

The **Games Committee** met in July at the offices of Sony Entertainment in Los Angeles, California, thanks to co-chair Travis Howe. A working group was formed to modernize the **Games Advertising Platform Status Report** which will address the significant changes that have occurred over the past few years that are impacting game play and advertising on games across all platforms. In October, South by Southwest (SXSW) invited the IAB back to speak at IAB Interactive/Games next year. The panel will reinforce the committee’s Mission Statement: “Why Content + Scale = A Win for Game Advertisers.” Nielsen will highlight new consumer trends, Sony will represent the platform/developer POV, agency MRY will discuss creative with Susan Borst from the IAB as moderator.

The **two new task forces** created to define best practices around the channels of content marketing and native advertising are in full swing. The **Content Marketing Task Force** is now being led by Andrew Susman/Studio One, Lisa LaCour/Outbrain and Chris Schraft/Time Inc. to provide a balanced representation of the space. In October, the Task Force met at the IAB AdLab to review a first draft of the Content Marketing primer. A lively discussion ensued. The objective of this document is to eliminate confusion and establish alignment of competing definitions content marketing platforms and strategies, to provide meaningful guidelines on navigating editorial standards and to address the need for clear disclosure for consumers and businesses. The goal is to release the primer concurrent with the Native Advertising prospectus (see discussion below.)

The **Native Advertising Task Force** is being led by Dan Greenberg of Sharethrough and Patrick Albano of Yahoo! Following the kick off meeting in July at the IAB AdLab, the now 100+ member company Task Force working group volunteers were split into groups to define the various sub-groups of ad unit types typically considered as being “native.” The IAB prospectus will clearly lay out and define the various types of Native Advertising as they are being sold today, with visual examples. This prospectus, which will include Disclosure Best Practices, will be released concurrent with the FTC Native Advertising Disclosure Workshop scheduled for December 4 in Washington, DC. The IAB is taking a leading role on the topic of “native advertising” disclosure. The FTC agreed to have a call on October 24th with the entire Native Advertising Task Force and the entire IAB Public Policy Council. On this call, the FTC outlined their goals for the Native Advertising Disclosure Workshop. The IAB will help organize member panels and will drive much of the workshop conversations.



The **Digital Audio Committee** garnered a great deal of interest this year with the addition of 38 new members. The committee sees the digital audio industry as facing two major growth challenges: measurement and delivering scalable ads. The Digital Audio Ad Serving Template Working Group is working to develop an ad delivery standard that will allow audio ads to be served across an array of players. This specification is called the Digital Audio Ad Serving Template (DAAST) and is using the well-established Video Ad Serving Template (VAST) 3.0 as a roadmap. Simultaneously, they look to define an audio impression.

In October, the IAB team was invited to present on current undertakings of the Digital Audio Committee to the National Association of Broadcasters (NAB)'s Committee on Local Radio Ad Measurement (COLRAM) in the hopes that the two groups can work in tandem alongside the MRC towards better digital audio measurement. In addition to best practices/standards development, the Committee hosted events to educate marketers and agencies on why digital audio should be included in media buys. In July, they held an Audio Agency Day at Pandora in Oakland, CA in which over 100 media buyers and agency execs came together to discuss a broad range of topics from connected car to podcasting to ad targeting.

The newly formed **Performance Committee** has developed in leaps and bounds since meeting for the first time in March. The Committee hosted three well attended discussion events on performance at the local level, defining performance marketing and attribution models and moving beyond the last touch. The Defining Performance Working Group has nearly finalized its first output - a white paper to define "performance marketing" and distinguishes between performance measurement, performance optimization and pay-for-performance strategies.

Membership

Membership numbers have grown significantly since June, while non-renewals are at an all-time low for 2013. New additions to IAB Membership are listed below. With **40 new General and 27 new Associate Members**, our current total General and Associate Membership is **596 strong**. Notable new members include CBS Radio, American Media, Twitch, Mashable DISH, NewsCred, and Estee Lauder Companies.

Organization Name	Member Type
Associate	ESCORT Inc
Associate	Nuance
Associate	C.A.S.T.
Associate	MdotLabs
Associate	Teads Technology
Associate	Voltari
Associate	Ahalogy
Associate	Digonary



Associate	Ebiquity
Associate	Infinitive
Associate	Mobilewalla
Associate	Revolution Messaging
Associate	The Estee Lauder Companies
Associate	ThoughtLeadr
Associate	AdLarge Media
Associate	AdsNative
Associate	AdSpirit
Associate	clypd
Associate	isocket
Associate	MoPub
Associate	NewsCred
Associate	OneSpot
Associate	CPA Detective
Associate	Enliken
Associate	Smaato
Associate	Sociomantic
Associate	Tipalti
General	Spiceworks
General	HIMSS Media
General	Slate
General	Townsquare Media
General	CBS Radio
General	Spiceworks



General	Vungle
General	American Media, Inc.
General	Appia
General	Twitch
General	Gravity
General	AdColony
General	AdNear
General	Delivery Agent
General	IZEA
General	Kargo
General	Mashable
General	Optimatic
General	TapIt! by Phunware
General	National Public Media
General	Gravity
General	Kargo
General	TuneIn
General	AdNation News
General	Townsquare Media
General	Aarki
General	Adaptly
General	adRise
General	Anyclip
General	Delivery Agent
General	DISH



General	Namo Media
General	PodcastOne
General	Remezcla
General	Selectable Media
General	Taboola
General	Time Out America
General	FaceCake Marketing Technologies, Inc.
General	Torrential
General	Vungle

The **IAB’s Long Tail Alliance**, now exceeding 1,100 members, has begun to receive specialized benefits from IAB, including professional development, webinars, specialized email content, a member blog, and networking events. We continue to partner with companies like BlogHer and Blog World to drive awareness and continue to build this important member class. On November 5th, IAB will host over 100 members in our first ever LongTail event outside of the yearly fly-in to DC. It’s an anticipated day of education and networking for small publishers.

Marketing

Under the leadership of EVP & CMO David Doty, Marketing Senior Director Chris Glushko, and Public Relations Consultant Laura Goldberg, Marketing drove success for IAB initiatives across a number of key audiences. The team showcased IAB leadership in mobile and creativity on a global scale by delivering unique marketing opportunities in Cannes. They executed a multichannel communications strategy around Making Measurement Makes Sense to prepare the industry for transacting on viewable impressions. They made education a top priority by developing new marketing plans around IAB Certification programs. Together, these efforts and more delivered deliberate communications results for key IAB objectives.

In August, Marketing executed a multichannel communications push to bring the viewability dialogue to the forefront of the marketplace. Elements included an educational video on the benefits of SafeFrame accompanied by a *MediaPost* byline from George Ivie and Steve Sullivan on the same subject. The team produced an extensive FAQ on the shift viewable impressions and promoted a blog post from ANA president Bob Liodice that emphasized the need for publishers to be ready when the MRC lifts the advisory against transacting on viewable impressions. All of these elements were brought together through a town hall discussion on viewable transacting challenges that was attended by 60 brand, agency, publisher, and technology leaders with an additional 110 joining via webinar.



Marketing made Digital Media Sales Certification a top priority, revamping the communications strategy to increase brand awareness and drive participation for the program. They emphasized the value proposition of Certification across various targets: individuals and team managers. They created content for IAB.net and social media: blog posts, testimonials, and graphics. The team surveyed Certification holders to gauge feedback on the program and acquire new strategic insights. This led to a redesigned Certification section of IAB.net that highlighted the value proposition over the exam and process, and showcased corporate participants and individual testimonials. A SEO strategy moved Google searches for “Digital Advertising Sales” to page one listing one, up from page three, and “Digital Advertising Sales Jobs” to page two listing one, up from page six. The team then showcased the success of Certification over the past year by creating an exclusive celebration on June 25 for all Certification holders, partners and key contacts. Sixty-five guests attended the event at the New York club Lavo. Guests were treated to complementary cocktails and food, sponsored by Bacardi. Then on July 10, the marketing team created and executed IAB Certification Day, a program for certification holders to promote their own Certification through social media channels. Participants downloaded the Certification Day logo from iab.net and used Twitter, LinkedIn and Facebook with designated hashtags. More than 70 certified sales executives took part. Marketing also promoted Certification through banner advertising on IAB.net and in SmartBrief. To date, there have been more than 115,000 impressions and 500 clicks.

Building **deeper, direct relationships with many agencies** remained a top priority. In July, David Doty and Head of Brand Initiatives Peter Minnium presented key IAB messages to 61 senior and mid-level attendees from Optimedia. Doty and Minnium have now reached hundreds of leaders at 32 agencies. This program has driven deeper agency engagement with IAB initiatives as seen in conference attendance from visited agencies, uptick in 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. Marketing used the IAB MIXX Awards to promote the IAB push for creativity in digital. A new content marketing strategy helped drive submissions to record levels at an increase of eight percent over 2012. The team then deployed social and PR channels to drive buzz around the program between the submission deadline and IAB MIXX Awards Gala by leveraging the announcement of John Hodgeman as gala host and the first IAB MIXX Awards finalists’ party that was attended by more than 110 finalists, judges, and industry VIPs. During the judging day, Marketing conducted interviews with the judges that were shown during the gala dinner. Winning work was then showcased in an all-new IAB MIXX Awards Winners Gallery, the first IAB web property built using responsive design to provide robust experiences on all devices.

Average press stories per month from May through September jumped 25% to 1,848, up from 1,475 during the same five-month period in 2012. In addition, **June had the most press stories of any month on record with 2,225**. The team leveraged close relationships with influential reporters in top-tier press outlets to achieve greater impact through well-placed exclusives. Marketing’s social media strategy drove record engagement across a number of platforms. Twitter followers are at 41,045, up 42% compared to September 2012. Follower growth in September 2013 reached 1,430, 180% greater than the same period in 2012. Facebook fans are at 19,095, up 22% compared to September 2012. Total impressions from Facebook posts in September 2013 reached 136,091, an increase of 21% over previous month. The team also leveraged LinkedIn more. Company followers are at 6,199, up 26% from September 2012. The IAB LinkedIn page achieved its second highest amount of impressions ever with 49,600.



Marketing's strategy to make the **IAB Blog and IABtv** sources of thought leadership continues to result in increased viewership. September 2013 blog page views were at 8,387, up 46% from same period in 2012. Key topics addressed included programmatic, native advertising, the top eight digital universities, and audio's future. September 2013 IABtv YouTube views reached 15,870, up 50% from the same period in 2012. Marissa Mayer from IAB MIXX, three IAB Rising Stars videos, and Yahoo!'s Henrique de Castro speaking at ALM 2013 received the most monthly views. Overall, traffic to IAB.net is on an upward trend with unique visitors up 11% in the past 12 months. September unique visitors reached 148,000, the highest September on record.

Events

IAB Events continue to be a convening platform for industry thought leadership as well as a healthy revenue source for the organization. The business is **projected to contribute \$2.95 million in gross profit** and \$1.75 in net profit for 2013, representing an over-performance against plan of 5% and 7% respectively. Of the 10 events which took place in five U.S. markets, all but one met or surpassed revenue & profit goals, with IAB Annual Meeting and IAB Cross-Screen Marketplace contributing 40-80% over plan. IAB MIXX Awards also saw a nearly 10% increase in submissions over 2012.

While the IAB MIXX Conference drew top voices from the industry including Yahoo CEO Marissa Mayer and WPP Chief Executive Martin Sorrell as well as an 8% increase in audience over 2012, sponsorship for this event continues to show softness. Advertising Week is programming sponsored digital marketing and technology content directly overlapping with MIXX, and many historical sponsors of the conference have moved their investments to these slots. The team is focused on creating new inventory and partnerships to remain competitive in the crowded week, as well as developing new products for 2014 to recoup revenue lost from potentially continued decreases in sponsorship at MIXX.

Though early in the sales cycle for 2014, there are indicators of a positive market response to these new products. As of October 15, 2013 \$475K dollars in sponsorship have been pre-sold, representing 13% of next year's total goal.

IAB Finances

Under the leadership of EVP & COO Patrick Dolan IAB finances continue the year on a record pace. In Q3 dues revenue came in on budget at just over \$7.2 million, collections have been robust with almost 95% of all receivables secured by the end of the quarter. The events business revenues continued to be better than plan, with events through Q3 adding \$2.7 million gross profit - \$143,000 over plan. Other revenue streams - including the Quality Assurance Guidelines compliance program, Ad Tech Board, Digital Sales Certification and Spiders and Bot - are slightly above plan by \$69K, with expenses on plan through the quarter. Overall, topline revenue came in at \$16.2 million, 3 percent over budget, expense right on plan at \$15.2 million resulting in Net revenue of slightly less than \$1 million, 53 percent above plan.

In summary, 2013 is concluding on a high note, for our industry and for the IAB. Both the team and I look forward to working with our Board, our membership, and our colleagues across the marketing, media, and advertising industries to make positive transformation continue for all.

RANDALL ROTHENBERG

President & CEO
Interactive Advertising Bureau
116 E. 27th St. 7th Floor
New York, NY 10016
212.380.4717



Respectfully submitted,

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

Randall Rothenberg
President and CEO