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President's Report
"The Digital Present"
June 13, 2013
By Randall Rothenberg

I come to this meeting of the IAB Board of Directors – my 20th Board meeting since becoming your President and Chief Executive Officer in January 2007 – after several weeks of member visits and gatherings of interactive industry executives in Russia, Croatia, and Silicon Valley. Even for those of us accustomed to living and breathing all things digital for a living, the scope of our industry's successes is breathtaking. In Moscow, I attended Russia's first IAB MIXX conference, where two well-attended sessions were devoted to the 3MS measurement standardization initiative and our "Building Brands Online" program. I was buttonholed by leading industry executives from Azerbaijan and Kazakhstan, who were eager to launch IAB franchises in their countries. IAB Croatia co-hosted a conference for the crème de la crème of that nation's advertising and brand marketing industry, including Croatia's first-ever IAB MIXX Awards ceremony, attended by hundreds of top writers, graphic designers, and apps creators in the lovely seaside town of Rovinj.

Yet in these same visits, significant challenges presented themselves. Across the globe, first-party publishers are worried about low advertising prices, which threaten their ability to remain in business. The rush toward programmatic buying – propelled in no small part by ad agencies – is creating a divide between technologically savvy publishers that are embracing process automation, and the greater number that lack the resources, knowledge, or will to adopt programmatic technologies and processes.

Amid these tensions a greater gulf remains, as was revealed in the industry debate generated by the IAB's tough public stand against the Mozilla Foundation's announcement that it intended to block third-party cookies by default in an upcoming version of its popular Firefox browser. IAB strongly criticized Mozilla for the pre-emptive move, and declared that it would do severe harm to the existing digital advertising supply chain. IAB also attacked technology companies that would seek to impose their will on the construction and operations of that supply chain without participating in industry-wide collaborative processes. Other industry organizations, notably the Online Publishers Association (50 of whose 56 members also are members of the 500-member IAB) expressed less concern over browser companies' interpositions in the digital advertising supply chain.

The Mozilla debate, which followed a debate over Microsoft's imposition of Do-Not-Track as a default

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functionality in its Internet Explorer browser, indicate a continuing schism between advertising-sellers whose basis is the creation and distribution of original content by an employed or contracted labor force, and advertising-sellers whose businesses are structured less around content creation and more around technological advantage – in pricing, analytics, distribution scale, social mediation, or other capabilities.

This schism cannot be ignored by our industry or our association. The stakes are enormous. As we reported on June 3, in the IAB Internet Advertising Revenue Report prepared by our partner PwC U.S. for the first quarter of 2013, digital advertising revenues in the U.S. rose nearly 16 percent over the same quarter last year, to $9.6 billion, a new record, firmly ensconcing digital as the second largest ad medium in the country, and putting us on track to break $40 billion in revenues for the first time, perhaps this year.

Quarterly revenue growth trends Q1 1996 – Q1 2013 ($ billions)
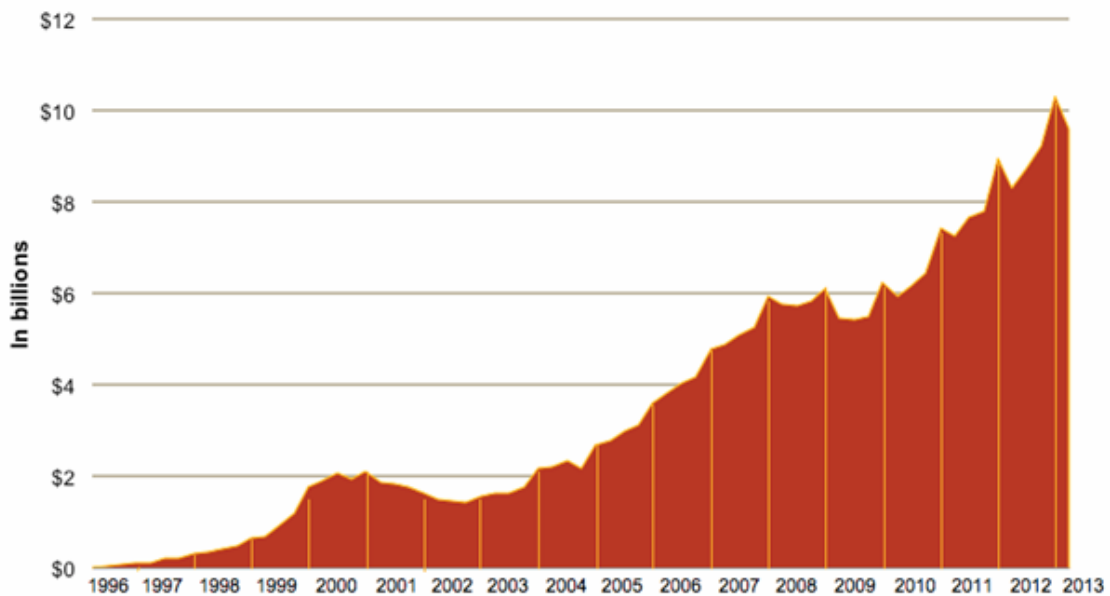
IAB management continues to believe that technology can be harnessed to support the evolving needs of marketers, agencies, and publishers across various dimensions of the ecosystem, and that the association's role is to develop and share standards, practices, and knowledge that can benefit the majority of industry participants most of the time. We believe IAB has a crucial role to play in bringing parties from different parts of the marketing-media value chain together to find mutually beneficial "wins" for as many participants as possible.

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Our Board and the Board's Executive Committee continue to affirm that role for the IAB, and we will continue to embrace our place as the "big tent" for the entire digital advertising industry, while also continuing to support specially the position of publishers in that value chain. Because without news, information, entertainment, and services, there is no reason for consumers to assemble and pay heed to marketers' messages.

Digital Content Newfronts

IAB's biggest effort ever in support of premium content was the Digital Content Newfronts, held April 29-May 3 in New York. Upon the request of its six founders – AOL, YouTube, Hulu. Yahoo, Microsoft, and Digitas – IAB took over the stewardship of this marketplace for the promotion and sale of advertising on original digital video content distributed at scale.

By universal acclaim, the event was a major success. Sixteen IAB member companies showcased their creativity with original digital video marketplace, to audiences of thousands of marketing and agency executives. Attendance at the Newfronts presentations totaled approximately 5,000 people. YouTube hosted 1,500 attendees on an East River pier; Yahoo! sold out a Broadway theatre; AOL packed the Moynihan post office. More intimate events had equivalent impact, with Conde Nast fielding kudos for a slate of original video programming built around the companies premier brands, and Blip TV showcasing comedy offerings from several top Hollywood notables. All told, more than 100 original programs were introduced at the Newfronts.

Media attention was acute, with The New York Times among the outlets providing daily coverage of the event. The IAB Marketing team delivered and executed a robust communications strategy around the Digital Content NewFronts to build excitement and awareness around the event, drive attention to NewFronts presentations, and increase the value of the digital video medium in the eyes of brands and agencies. Marketing negotiated a multidimensional robust partnership with *Adweek*. Coverage included print and digital elements, including significant support from Adweek's editorial team and an interactive NewFronts hub on Adweek.com with prominent placement on the publications homepage. On IAB.net, the team created a NewFronts Center consisting of photos, press coverage, livestreams, and a real-time social media conversation tracker. They drove traffic to the center through a coordinated social strategy focusing on the hashtag #NewFronts. To date, the

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IAB.net NewFronts Center has received more than 28,600 unique page views, and the #NewFronts hashtag has garnered more than 76.4 million impressions on Twitter. The team's press strategy around the event sparked major coverage with key ad and media trades such as *Advertising Age, Adweek, Hollywood Reporter* and *Variety*; as well as with mainstream press such the *Associated Press, Los Angeles Times, New York Times, USA Today* and *Wall Street Journal*.

IAB's management of the Digital Content NewFronts was bookended by research - our own new study developed by Sherrill Mane and Kristina with GfK, and **a standing-room only Insights Breakfast** at the Ad Lab. To set the stage, IAB released "**45 Million Reasons and Counting to Check out the NewFronts**". The research aimed to size the market for original professionally produced online video (at 45 million monthly viewers) and look at viewer behaviors, motivations and uses of online video. To date, the syndicated research vendors have not measured and reported on viewership to original professionally produced online video. The study also established baseline data for ad receptivity and "wantedness" for such video as compared to television. The ad receptivity scores for original professional video were on par with primetime TV and the overall wantedness scores matched TV News and Daytime TV. The final day of the NewFronts began with the **IAB Insights Breakfast** with original research presentations by Yahoo!, Sharethrough, IPG MediaLab, ShareThis, Tremor and ComScore, to a full house at the IAB Ad Lab. Research Director Kristina Sruoginis managed the member submission and review process, and Senior Vice President for Research, Analytics and Measurement Sherrill emceed the event and moderated the discussion.

Already in the field and designed to provide key inputs into next year's NewFronts is a survey of this year's attendees that seeks feedback on favorability of the event, messaging around the NewFronts, and assessments of the estimated ad expenditures related to the NewFronts .

Through presenter fees, the IAB realized a significant profit on the event, which will be used to seed the development of an **IAB Digital Video Center of Excellence**, a "mini-IAB" within the IAB that will have several full-time employees devoted solely to the growth of the digital video consumer and advertising marketplace.

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Building Brands Digitally

From the stage at the 2013 IAB Annual Leadership Meeting in February, we issued a call to arms for each member to trumpet its expertise in Digital Brand Advertising, to help marketers and agencies build brands digitally. IAB activities in support span the spectrum of our organization's initiatives, including the work undertaken to enable engaging creative experiences that can scale (e.g., Rising Stars), measure the brand building effect (e.g., 3MS), lubricate and simplify the supply chain (e.g., the V-Suite video standards and the Impressions Exchange Solution), protect consumer privacy, demystify data, enable cross-screen campaigns via the IAB Mobile Marketing Center of Excellence, and ensure that we have the best people in the business via professional development and the IAB Digital Media Sales Certification.

A vital 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. Seventy percent of the IAB Standard Ad Unit portfolio is new Rising Stars, which extend the portfolio across screens and have real interactivity on the page as a core element. Awareness and enthusiasm for the new ad products is high, according to a recent survey of more than 500 agency buyers (http://bit.ly/Zu0i5c), conducted by Undertone for the IAB.: Rising Stars have high awareness—over two thirds (69 percent) of agency respondents were aware of them. Agency optimism is high—of those agencies that were familiar with Rising Stars, 73 percent stated that they were either somewhat or very likely to use them again in 2013. And Rising Stars drive results—only 2 percent of agency respondents who ran Rising Stars campaigns in 2012 plan to decrease spend on the units in 2013. The research also showed gaps, however. For example, only about one-third of marketers were aware of the new ad units.

The **Mobile Rising Stars,** announced at the IAB Annual Leadership Meeting in 2012, became part of the IAB Standard Ad Unit Portfolio at the IAB Cross Screen Content & Consumers: AfterFronts event on June 10. Results are in for the first phase of an extensive consumer study looking at all five Mobile Rising Stars across handhelds and tablets with three national brands (http://bit.ly/qW6FFd). 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. Phase Two of this research with additional verticals is already underway. This research and the ascension of these units to official IAB standards will further propel adoption,

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which is both facilitating and benefiting from advancements in the mobile ecosystem.

Five **Digital Video Risings Stars** winners were announced at the 2013 Annual Leadership Meeting. The seven dozen entries underwent two tough reviews, the first by an ad ops panel, a subset of the IAB Ad Ops Council, and the second by an agency working group, consisting of more than 36 companies that represent over 80 percent of buy-side volume. The winning units were submitted by CBS Interactive, Celtra, DG MediaMind, DoubleClick, Innovid, Jivox, Microsoft Advertising, Mixpo, Spongecell, Tremor Video, Yahoo! and YuMe. These winning companies are now collaborating with IAB, the Agency Working Group, and digital video ad operations to create detailed specifications for the units to run across screens and players for release for public comment in June.

Building deeper, direct relationships with many agencies remains a top priority. In April and May, EVP & CMO David Doty and Peter presented key IAB messages to three top agencies— Draftfcb, MEC, and The Vidal Partnership. Doty and Minnium have now reached hundreds of leaders at 31 agencies.

In February at Annual Leadership Meeting, IAB announced the addition of 12 prominent digital creative and public relations leaders to the **IAB Agency Advisory Board** (AAB), a consultative body formed to focus on building effective relationships between digital publishers and the agency thought leaders who are creating campaigns that are reshaping the way advertising, media and marketing communications work in the interactive era. The AAB has contributed tangible results for the industry, such as helping guide IAB work on the Rising Stars program. The team is creating opportunities for the expanded Agency Advisory Board at the Cannes Lions International Festival of Creativity and through a Silicon Valley-Meets-Madison Avenue trip.

Making Measurement Make Sense (3MS)

Since the IAB Board's last meeting in February, 3MS initiative has powered closer to its next important milestone: the widespread **adoption of the viewable impression as digital advertising currency**, which we anticipate will happen at the end of 2013.

Led by Senior Vice President Sherrill Mane, the trade associations and member companies that are actively

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involved in 3MS have continued to work closely with the Media Rating Council to recruit member company participation, develop standards and enhance communication efforts. The complexity of the transition, the multiple vendor voices, and the number of moving parts present opportunities for more and greater communication. To that end, the ANA and the 4A's have sought guidance from their PR agency, Cooper Katz, and both associations are working closely with IAB and MRC on additional communication. In the works are enhancements to the measurementnow.net website, Town Hall Meetings, and more blogposts from more voices in addition to Sherrill. A Town Hall on "Flipping the Switch to Viewability" held last week drew 55 participants to the IAB Ad Lab, with another 65 participating remotely.

The technical challenges confronting the industry on the measurement of viewable impressions are being resolved. One significant development in this arena is SafeFrame, a solution released by IAB to the industry and developed by Yahoo! and Microsoft. SafeFrame has many benefits and in relation to 3MS, it can dramatically reduce the number of immeasurable impressions by permitting measurement technologies to safely and securely see through nested iframes to determine impression viewability. (Safeframe is discussed in greater depth in the "Ad Technology" section of this report.)

Sherrill continues to present updates on 3MS in various IAB forums including to our sister IABs around the world via webinar and to our member leaders at the IAB Member Champion Breakfast. She was instrumental in developing the content for a unique webinar hosted by the IAB for the technology community among our members. Steve Sullivan and George Ivie of the MRC discussed the technical issues involved in transitioning to viewable impressions currency and focused on the solutions available through SafeFrame deployment. They led a candid discussion of challenges in implementing SafeFrame and what they mean for the publishers. The MRC has been and continues to be the one industry body with the measurement gravitas to keep agency demands for viewable guarantees in check until the standard is written and the testing complete.

Sherrill was invited to participate and present at the prestigious Wharton Future of Advertising: Advertising 2020 session in April. She continues to write her monthly column in MediaPost and recently shared her byline with Brendan Riordan-Butterworth in a column dealing with viewable impressions and open RTB.

Under the oversight of MRC, the development of standards for video viewability has accelerated. When the 3MS teams put forth the *Five Guiding Principles of Measurement* and advocated for moving from a served

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impression to a viewable impression currency for brand advertising, the hypothesis was that for digital video, this transition would be fairly simple. As the ecosystem moves forward according to the original 3MS timeline, we have learned that digital video viewability presents some unanticipated challenges. We are in the process of overcoming them. This will ensure that display banners and digital video ads are viewable to the degree the ecosystem determines at the same time, thus keeping a level playing field for all inventory.

Mobile Marketing Center of Excellence

The IAB Mobile Marketing Center of Excellence, under Vice President for Mobile Anna Bager, continues to experience growth and success, with 43 member companies currently contributing to its finances and leadership. US mobile advertising revenue hit a new record in 2012, of $3.4 billion, up 111% relative to 2011. This underscores the growing role of mobile advertising and incentivizes us to continue to execute strongly on its agenda and its commitments to the Mobile Center Board of Directors.

A significant Mobile Center accomplishment since the last President's Report was the release for public comment of **the industry's first Application Ad Measurement Guidelines** in March. This major measurement initiative, undertaken with the MRC and Mobile Marketing Association, provides a vital complement to the existing Mobile Web Measurement Guidelines. Key differences between the app and mobile web environments (most notably the lack of cookies, and differences in ad handling between browsers and the SDK software resident in native apps) required slightly different approaches to measurement practices. However, the underlying principles of client-side counting, reporting viewable impressions, and filtering for non-human or suspect traffic, remain consistent.

Also on the standards front the Mobile Center released final version of the IAB's first ever Mobile Creative Guidelines - http://www.iab.net/mobileguidelines. These guidelines maintain consistency with existing industry standard ad sizes but provide clarity and direction necessary to empower creative shops and publishers to employ mobile for more dynamic, rich consumer experiences. The guidelines also align with the IAB "Display Advertising Guidelines. "

8

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Mobile privacy remains a top tier issue in Congress and for the Administration; and since February, four bills have been introduced or will be introduced to regulate commercial and government mobile privacy. Meanwhile, the Department of Commerce's NTIA continues in its Multistakeholder Process to develop a voluntary code of conduct for mobile app transparency. To further our efforts to promote consumer trust and educate regulators and legislators, the Mobile Center has worked with the Digital Advertising Alliance which will launch the DAA's new guidance for **Application of Self-regulatory Principles to the Mobile Environment** on June 5. To enhance the Mobile Center's public policy efforts, the group held its **Second Annual DC Fly-in** on May 8 and met with seven key members of Congress to discuss mobile privacy, geolocation due process protections, and continued expansion of mobile broadband networks for content delivery. On May 9, the IAB sponsored, and three Mobile Center Board Members spoke at, the Congressional Internet Caucus' Advisory Committee "State of the Mobile Net" conference on Capitol Hill.

We have also released a number of reports and held several events to help buyers and sellers alike learn more about specific aspects of the mobile media industry. To help buyers and sellers develop better mutual understanding, the IAB Mobile Center hosted two **Mobile Discrepancy Working Sessions**, one on the east coast and one on the west coast. The goal for these meetings was to have representatives from each part of the mobile supply chain get together to talk through mobile discrepancies, with the objective of identifying where they are occurring, why, and potentially avenues where IAB forums, best practices or other work can help the industry. The meeting resulted in some clear areas for the IAB to pursue further and a list of common discrepancy caused which the mobile ad ops working group will turn into a whitepaper.

During **Social Media Week in** February, the IAB hosted a hugely successful industry conversation on the intersection of mobile and social media with a focus on multicultural audiences. Close to 100 guests packed into the IAB Ad Lab to hear experts from media companies, agencies and others talk about how African American and Hispanic consumers have embraced mobile and social.

The topic of cross-media content and marketing is a recurring theme for the Mobile Center this year, and along those lines the IAB held a pair of well attended and thought-provoking round table conversations on "co-

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viewing," how programmers and advertisers are responding to consumers' growing use of phones and tablet while watching TV.

With more and more consumers conducting searches to find local businesses - especially on their mobile devices - it is becoming imperative for marketers to ensure that their businesses are included in the results and that the information is accurate. To help understand this aspect of the mobile landscape we released a new **Local Search Whitepaper** (http://www.iab.net/localsearch) that reviews the many challenges that come with managing business listings across all the different entities and devices consumers are using to find local businesses, including search engines, maps, directories and social media sites.

The Mobile Center worked with the IAB's research staff and our "Hear/Watch/Say" online media-savvy user community to assess mobile's role in consumer electronics purchases. This study examined the question of "**Showrooming**" and consumers' use of mobile devices to help with the research, evaluation, and comparison of product and retailer options in the CE category.

In partnership with members InMobi and Viggle, we released a short infographic looking at the intersection of **Mobile and Financial Services**. This brief consumer survey underscored the importance of mobile devices in helping consumers manage their spending and keep tabs on their financial lives. The findings suggest financial services marketers need to make mobile a priority to make their services seem current and attractive.

We continue to work on the IAB's **Future of the Cookie Initiative** on tracking and privacy in a post cookie world, exploring different methods for tracking across devices with a goal of discovering a better model for user identification. To ensure mobile is well represented Matt Gillis from Millennial Media has been added as a leader/co-chair of this initiative. Bringing in a mobile only company helps ensure the challenges and needs of the mobile ecosystem is well accounted for.

IAB's mobile activities were given great support by our Marketing team, which drove coverage in outlets such as *Adweek, DM News, MediaPost, Mobile Commerce Daily*, and *Mobile Marketer*, including a profile of Anna Bager in Adweek's mobile issue. At the IAB Mobile Marketplace, they created six stage videos and six thought

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leader interviews for IABtv, garnering 836 views. The team also used Anna Bager's and Joe Laszlo's ClickZ column to promote key Mobile Center objectives to a broader audience.

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, eBusiness, Data and OpenRTB.

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 secure environments, such as email. The geometry features that enable rich media expansion in a safe iframe 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 **eBusiness**. eBusiness 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

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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.

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.

In 2013, under the leadership of DataXu and The Rubicon Project, the Real Time Bidding (RTB) working group has continued making quarterly updates to the standard **OpenRTB** protocol developed to support efficient real-time communication between DSPs and SSPs and available on the IAB site. In addition, the group will expand its focus to include a method for programmatically describing inventory so buyers can be more informed about that upon which they bid.

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 working group. Recognizing the bourgeoning demand for cross-screen creative solutions, the group's first document, **HTML5 for Digital Advertising 1.0** was released for public comment in May and is slated for final release in July. 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 Data Council released the market-making study with the Winterberry Group, ***Taking Cues From the Customer: "Omnichannel" and the Drive For Audience Engagement.*** This first-of-its-kind study survey the current state of the rapidly development "omnichannel" marketing landscape. This research both informs members on current best practices and helps drive the IAB's future agenda. This research was supported by BrightRoll, Cars.com, Paradysz at the premium level and AdConian Direct, First Media, Neustar, nPario, and Operative at the supporting level. The Data Council has also made significant progress in updating the **Data Usage and Control Primer** last updated in 2010. The working group's goal is to have the update ready

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to release at the IAB's Ad Technology Marketplace in July 2013.

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.

A notable new addition to the Ad Technology team slate of activities is the new **Traffic of Good Intent Task Force**. This task force consists of very senior industry leaders dedicated to education about and recommending solutions to the issue of "non-intentional" traffic. Non-intentional is a term used to describe apparently real inventory or web traffic, that that is in fact fabricated by criminal organizations for the purpose of generating income from the largely opaque programmatic marketplace. The problem of non-intentional traffic has existed for many years but a combination of factors, such as the rise of RTB and the prevalence retargeting, have caused an explosion that can no longer be effectively dealt with by individual companies. It is the Ad Technology team's expectation that recommendations from the TOGI task force will flow into and become part of the infrastructure defined by the Quality Assurance Guidelines.

Public Policy

Legislative sessions across the U.S. are in full swing and the common theme is consumer protection. A number of pieces of legislation have been introduced in the United States Congress that would affect digital advertising. This year, mobile is a primary focus, with no fewer than four **bills aimed at limiting how data is collected and used on mobile devices**. In May the Mobile Marketing Center of Excellent conducted its second annual Washington, DC advocacy day, extolling the importance of mobile to the overall U.S. economy and helping IAB develop support for reforming the way government accesses this type consumer data, while

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separating the commercial practices. Likewise, we continue to support measures that provide additional protection to consumer using mobile devices, including anti-cyberstalking proposals, while peeling off provisions that would restrict legitimate private sector use of this marketing data.   Finally, the Senate Commerce Committee just concluded an oversight hearing into industry self-regulation and Do Not Track. The industry was represented at the hearing by the Digital Advertising Alliance, and IAB worked to ensure continued support from key Senators on the Committee.

At the state level, the industry is facing **unprecedented pressure from the California state legislature** on consumer protection issues. The State Senate and Assembly have introduced a full slate of privacy bills, including measures to expand COPPA (Children's Online Privacy Protection Act) protections to teenagers and requirements to disclose whether a company follows Do Not Track. IAB has ramped up local advocacy efforts in the face of these challenges, organizing broad advertising opposition to several bills aimed directly at our industry. We will continue to devote needed resources to the state level to ensure a positive outcome.

The threats to our industry continue to spread beyond our national borders to international governments and NGOs. IAB continues to press for a **global self-regulatory program that advances consumer privacy protections** without stalling the immense growth and innovation in the Internet. We are working with IABs around the globe to build a single, effective program. Regarding Do Not Track, we remain engaged in the World Wide Consortium's working group to ensure anti-business advocates do not gain a global foothold in this unelected standards body. IAB is promoting its advocacy agenda wherever the challenges arise.

Training and Development

The **IAB Digital Media Sales Certification program** is approaching its first anniversary and establishing a number of milestones along the way—one thousand applications to take the certification exam, 600 certifications already awarded, and hundreds of candidates scheduled to take the exam during the July and October testing windows. With the focus now on signing up corporate accounts a number of companies have demonstrated their commitment to IAB Sales Certification by signing up sizeable portions of their sales teams:

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CBS Interactive, Condé Nast, Gannett Digital Media Network and USA Today, IDG, and Goodway Group. **AOL recently committed to having all of its 125 direct sales force take the examination**.

Recertification guidelines have recently been issued. Certificants now have two paths towards renewing their credentials—retesting or earning Continuing Education credits. The program will soon be recruiting industry experts as "faculty" to lead formal (and informal) classes, panels and town halls in an effort to capitalize on the shared knowledge and expertise that reside within IAB membership.

The **IAB Ad Ops Certification program is beginning** its work as well. The first certification program to include both sell-side and buy-side experts, the program is currently in development phase, outlining the tasks that ad operations and technology experts perform in the course of their jobs. This program is expected to launch in mid-October.

International

The Board of IAB Europe recently accepted the resignation of its longtime president, Alain Heureux. The management change at IAB Europe was accompanied by Board changes as well. On May 23, IAB Europe held a General Assembly of its members and voted in a new Board of Directors, including a new chairman, Constantine Kamaras, from IAB Greece. The European General Assembly also reaffirmed the European national IABs' support for ongoing affiliation with the IAB brand and IAB U.S.

Spearheaded by EVP & CMO David Doty, along with Senior Director of International Alexandra Salomon, IAB is working closely with its 39 international licensees to build a stronger global network group dedicated to the development and implementation of digital advertising solutions globally.

This year's **IAB International Webinar Series**, scheduled every 6-8 weeks, has seen growing success with participants from all over the world joining in the discussion of important global digital subjects such as Global Media and Advertising Revenues, 3MS, Viewability, SafeFrame, and Ad Tech/Ad Ops.

The engagement of IAB on a global level is evident in many multinational initiatives. Among just some of the most recent have been IAB participation in Social Media Week from New York to Singapore, **and IAB**

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partnership with Yahoo! on its Young Media Stars program in UK, Brazil, Mexico, Argentina and US.

In response to the growing demand from around the world for professional development and sales certification programs, IAB Digital Media Sales Certification is going international and several national IABs will soon actively be marketing the program in their countries.

Research

In March, Kristina Sruoginis, Research Director and Stephanie Fried, Research Council Co-Chair held a well-attended **webinar on "New Tools for Ad Effectiveness Studies,"** which introduced the **IAB Ad Effectiveness Resource Center**. The webinar had 76 publisher and agency attendees - one of the highest levels of interest of an IAB research webinar to date. The webinar introduced the resource center that Kristina and Stephanie developed (www.IAB.net/AdFX) along with the new tools created by their Research Council Ad Effectiveness Working Group, which streamline the process of conducting such studies for both agencies and publishers and provide methodological guidance to those working on ad effectiveness.

The IAB study on digital video and TV share shift, *A Comprehensive Picture of Digital Video and TV Advertising: Viewing, Budget Share Shift and Effectiveness,* has taken on a life of its own, showing up in articles and opinion pieces throughout the media business and most recently as an infographic in Adweek. The research has also led to invitations to present to member companies and to large agencies seeking to integrate all video buying.

The IAB Research Council has launched a **Working Group on Data Measurement**, with an initial goal of fielding a survey to agencies and advertisers on data they typically request and use. The ultimate goal of the work is to inform the Data Council's data guidelines for the industry. The working group also seeks to understand and inform the process by which data and analytics intersect with media and marketing research.

As a scene-setter for the IAB presence at The Cannes Lions Festival, IAB developed research that provides a true **360 degree view of mobile creativity**. The premise of the research is to use Millward Brown's Dynamic

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Logic consumer database on hundreds of mobile campaigns in tandem with in-depth interviews with leading creatives at top agencies, thus filtering the consumer piece through the perspective of the creatives. The consumer-based best practices for mobile creative touch on branding, design, messaging and response (to offers/opportunities to interact). In one-on-one interviews, the creatives shed light on the creative process. One of the biggest findings is that the creatives believe that context in mobile is explicitly about the mobile medium. To them, context is what a mobile phone user is doing or thinking in a particular time and place. Moreover, while the tactics and content do matter, the creatives told us that big ideas and creativity are still key. While there is a clear statement of mobile creative work being part of experiential and cross-channel creative development, most of the interviewees acknowledged that mobile is still downstream in strategy except in retail and acquisition marketing.

<center>**Committees and Councils**</center>

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 its first meeting ever on the west coast at AOL's San Francisco offices. The CFO Council had another first: a CFO Council Breakfast's, also held in San Francisco and attended by finance executives from Bay Area members such as ADTECH, LinkedIn, Pandora, CBS, and Zynga, among others. The council has kicked off the 3rd Annual Industry Salary Survey which survey's both sales and tech positions in the industry.

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 April, the Sales Executive Council put on a special **Town Hall on "Staffing for**

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Programmatic Buying" to take a deep dive into the ways publishers are sourcing and integrating new capabilities and talent for the rising market in programmatic buying.

The **Digital Video Committee** is in the midst of making important revisions to two key documents: **"Digital Video In-Stream Ad Metrics Definitions"** and **"Digital Video Ad Format Guideline & Best Practices"** due to be completed before the close of 2013. The group is also kicking off a sub-working group to create a primer on Long Form Video. The IAB and the Digital Video Committee continue to push for adoption of the vitally important V-Suite video ad serving technical standards. As part of a larger educational video initiative, this committee has begun work on a 2-3 minute explainer video on what V-Suite is and why it's of importance to the entire marketplace. Conversations around video viewability continue and are a hot topic for the group.

The **Multicultural Council** continues its work to upgrade the digital skill-set of multicultural agencies by partnering with the Association of Hispanic Advertising Agencies (AHAA). In late April, **IAB programmed a panel at AHAA's Annual Conference** in Miami showcasing Hispanic video case studies presented by IAB Members Terra, Google, Adsmovil, Briabe, and Telemundo. The Multicultural Council is also currently working on a Hispanic media general market awareness campaign, entitled Cooltura Digital, to raise awareness of audience reach, focus and depth and demystify the buying process for General Market agency personnel.

The **Networks & Exchanges Committee** moved forward on **the Network Audience Reach Definition Project** to encourage leading measurement firms to arrive at consensus on mutual definition and testing methodologies. **The In-Image Advertising Taskforce** continues to develop capabilities and communication for the burgeoning marketing channel of in-image advertising solutions and looks to produce an In-Image Buyers Guide by year end.

The **iTV Committee** pressed forward with programming to address the TV Everywhere movement that has revolutionized television consumption on connected devices, a central question for MSOs and OTT providers.

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In late February, the **Social Media Committee** announced a new co-chair, Joel Lunenfeld, VP Global Brand Strategy at Twitter, who adds tremendous thought leadership to the 280 member committee. Following this announcement, the committee hosted its first **Social Media Agency Day** event on April 3rd at the Appnexus Theater in NYC.   Over 350 digital ad agency, brand marketing and technology professionals registered for this three-hour event on the topic of "Social: Planning for Real Time."   Twenty four IAB members spoke on their experience in using social media for real time, actionable marketing results. Speakers included representatives from: Appssavvy, BabyCenter, Buzzfeed, cars.com, Conde Nast, EQAL Media, Fox Sports, Gawker Media, InPowered, IRI, InterContinental Hotels Group, MediaWhiz, RadiumOne, Salesforce Marketing Cloud, ShareThis, ShareThrough, TrialPay, Twitter, Unilever, Unruly, Yahoo. Special guest speakers included American Airlines and Mindshare.

As part of the committee's blog series on social's impact on the Paid, Owned and Earned media equation, a series of blog posts recapping discussions from the event have been posted on the IAB website. These have garnered significant social sharing. The committee is gaining industry attention via Social Media Week media sponsorship and panels, as well as another first, being an official media sponsor for The Shorty Awards, which honor the 'best in social media,' with Peter Minnium from the IAB as part of the awards marketing jury.

At the Q2 **B2B Committee** meeting, special guest speaker Brian Resnick, Global Brand & Communication Services Leader from Deloitte Touche Tohmatsu Limited, and co-author of *Designing B2B Brands – Lessons Learned from 195,000 Brand Managers* shared insights relative to B2B brands in the digital space. The committee plans to release an IAB **"Building a B2B Brand Online … for Dummies,"** which is an excellent primer jointly produced with Bizo and Wiley Publishing.

The **Games Committee** announced a new co-chair, Travis Howe, Senior Vice President, Americas, Digital Planning & Ad Operations at Sony who, together with fellow co-chair Joy Taylor, Senior Director, Global Media Services from EA will provide thought leadership and strategic guidance for this committee. Working groups are now being formed to modernize the **Games Advertising Platform Status Report** and the **In-Games Measurement Guidelines** to address the significant changes that have occurred over the past few years that are impacting game play and advertising on games across all platforms

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IAB is excited to announce the fruition of **two new task forces** to define and create best practices around the channels of content marketing and native advertising. While, ultimately, these two groups may merge into one, for now, they are operating independently. The **Content Marketing Task Force** was created, according to co-chair Andrew Susman, Owner-Operator of StudioOne, "because content marketing appears to have reached a point where technological development and marketer and publisher interest have converged." The Task Force met for the first time on May 1st and agreed that the first order of business will be to prepare a Content Marketing "Primer" to define the various components of the content marketing marketplace as it exists today, with visual examples, and discuss transparency and disclosure with regards to branded content. Working groups are being formed with the goal of completion by early-August.

The **Native Advertising Task Force** is being led by Dan Greenberg of Sharethrough and Patrick Albano of Yahoo! The kick-off meeting convened on for June 4. The IAB will seek to put forth a prospectus that clearly lays out the various types of Native Advertising employed today, with visual examples. By defining the parameters, we aim to clearly define the broad term 'native advertising' and, thus, clear confusion in the market place. Following the kickoff meeting, IAB members at large will be able to volunteer to actively participate in working groups to complete a **Native Advertising Primer**.

In the digital audio marketplace there currently isn't a standard way to track digital audio ad units. . Without one, digital media buyers and planners are hesitant about how to how to buy and manage audio within their campaigns. Under the auspices of the **Digital Audio Committee**, the IAB has developed a working group to discuss the needs of the audio industry and an accompanying technical working group to develop a technical specification for in-stream audio ad serving. Much like VAST did for video, we expect that the "**Audio Ad Serving Template**" (AAST) will help unify a fragmented digital audio advertising marketplace, enabling much needed growth for the segment. This group will not have to start from scratch as they will be using the well-established VAST 3.0 standard as a roadmap.

The newly formed **Performance Committee** met for the first time in March. There was great attendance in-person and a great deal of excitement around this new group focused discussions and initiatives that provide an

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industry perspective on accountable media through best practices on campaign development, digital insights, and measurement and attribution - beyond the last click. For the committee's first project, a working group has been formed to compose a white paper to define "performance" and categorize performance strategies into buckets such as initial engagement (such as clicks), secondary actions, and acquisitions/sales.

Membership

Both General and Associate Membership numbers have grown equally well since last we met, while non-renewals are at an all-time low for 2013. New additions to IAB Membership since our last meeting in February 2013 are listed below. With **18 new General and 18 new Associate Members**, our current total General and Associate Membership is 545 strong. Notable new members include Foursquare, Dial Global, PGA TOUR, The Economist, WhiteOps, and Unilever. The one notable loss among members was Demand Media.

Organization Name	Member Type
eyeReturn Marketing	Associate
FinancialForce.com	Associate
BIA/Kelsey	Associate
Chartbeat	Associate
Gloto Corp.	Associate
Local Market Launch	Associate
LocationInsight	Associate
Unilever	Associate
Clipcentric, Inc.	Associate
Inadco, Inc.	Associate
Adventive	Associate
Fiksu	Associate
spider.io	Associate
Sticky	Associate

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StudioNow	Associate
White Ops, LLC	Associate
Paradysz	Associate
Unicorn Media	Associate
FetchBack	General
The Economist	General
American City Business Journals	General
PGA TOUR	General
MediaCrossing Inc.	General
RGM Group	General
SP Media	General
Adtile	General
Dial Global	General
Endemol USA	General
Nativo	General
Tafi Media	General
Viewster AG	General
WatchTime	General
XappMedia, Inc.	General
Adweek	General
Foursquare	General

The **IAB's Long Tail Alliance** now exceeds 1,100 members. With this relatively recent growth and heightened interest of this small publisher member class, the IAB has begun to roll out specialized benefits to the Long Tail Alliance, including professional development courses, specialized email content, a member blog, and networking events. We will continue to partner with events like BlogHer and Blog World to drive awareness and continue to build this important member class.

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In April, IAB hosted our second annual **Member Champion Breakfast**, where we invited key contacts within member companies to come get a crash course on IAB initiatives and how to get involved. We had over 100 members in the room and provided each with the necessary tools to best use the IAB. We look forward to hosting another later in the year in San Francisco. In addition, we are very close to launching a revamped member webinar series and Member Digital Trivia Nights, all in the interest of keeping our membership community highly engaged.

Marketing

Under the leadership of EVP & CMO David Doty, Marketing Senior Director Chris Glushko, and Public Relations Consultant Laura Goldberg, Marketing drove exposure for IAB initiatives and thought leadership across a number of key audiences. The team executed innovative ideas such as a small publisher petition to communicate opposition to Mozilla's intent to block third-party cookies by default. They leveraged the reach and influence of the IAB and its partners—using press, social, web, newsletters, and media partnerships—to generate mass enthusiasm and excitement for the Digital Content NewFronts. They amplified the thought leadership from the IAB Annual Leadership Meeting far beyond the attendees in the room. Together, these efforts and more delivered deliberate communications results for key IAB objectives.

In response to Mozilla announcing their intention to block third-party cookies by default in upcoming versions of Firefox, Marketing developed and led a multi-pronged strategy to raise awareness of how this action would harm the advertising ecosystem by focusing on the effects on small publishers. The team drafted an **open letter to Mozilla Corporation and rallied small publishers from around the world** to sign it. They placed the letter in *Advertising Age* as a full-page ad and then posted it on IAB.net as a petition. To date, **more than 900 global members of the advertising ecosystem**—mostly small publishers—have signed the petition. Additional aspects of the campaign included a detailed FAQ on the consequences of Mozilla's plan, an open letter from Randall Rothenberg opposing the action, and strategic press outreach that resulted in coverage in top-tier outlets such as *CNET, Adweek, MediaPost, AdExchanger, Business Insider,* and *Cynopsis Digital.* The team also worked closely with the DAA, connecting them with Long Tail publishers to author op-eds and serve as champions of small business to the press.

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After the IAB-led campaign, Mozilla announced that it would delay implementation of its controversial patch, in order to take more account of industry sentiment.

Marketing leveraged the IAB Annual Leadership Meeting as a platform to drive thought leadership and communicate IAB news throughout the industry. They issued nine press releases at the event, producing coverage in top-tier outlets such as *Adweek*, *Advertising Age*, *MediaPost*, and *Paid Content*. They posted fourteen video clips from the stage and 20 thought leader interviews to IABtv, garnering more than 8800 views. The team launched its first sponsored mobile app for the event that was downloaded by 830 attendees and onlookers. Daily coverage was communicated to IAB membership within hours of each day's general session closing. In total, Marketing drove more than 49,000 unique page views to Annual Leadership Meeting coverage on IAB.net.

To better communicate opportunities for members to become more involved in IAB activities, Marketing developed and launched a **new member newletter, *Upcoming@IAB***. The weekly email showcases events, webinars, committee and council achievements, tools, and news to more than 11,000 active IAB individual members. Content is segmented by geographic location, level, and functional role. Open rates have averaged 20 percent, the highest of any broad IAB member communication.

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Average press stories per month from February through April jumped 9% to 1,649, up from 1,511 during the same three-month period in 2012. In addition, April had the most press stories of any April on record with 1,944. The team leveraged close relationships with influential reporters in top-tier press outlets to achieve greater impact through well-placed exclusives. Highlights not mentioned already include coverage of the IAB Internet Advertising Revenue Report in the *Wall Street Journal, Associated Press, Reuters, Los Angeles Times, TechCrunch, Mashable,* and *Adweek*; and coverage of the IAB whitepaper, "Big Data and Microtargeted Political Ads in Election 2012: The Challenge Ahead," in the *Washington Post*.

Marketing's social media strategy drove a record amount of engagement across a number of platforms. **Twitter followers are at 35,885, up 42 percent compared to April 2012**. The closest "sister" trade associations are the MMA and 4A's with 20,500 followers each. IAB's Facebook fans are at 18,353, up 29% compared to 2012. From February through May, Facebook viral reach increased by 17%. 62,366 unique Facebook users saw IAB content that was commented on or shared. The team leveraged LinkedIn more. Company followers are at 5,847, up 57 percent from a year ago. Marketing also leveraged the LinkedIn platform to promote me as a LinkedIn influencer. More than 15,000 LinkedIn users viewed his posts on "What

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Does Big Data Really Mean?" and "Best Advice: From Bill Bradley to Pop Pop." To further promote IAB as a leader in social media, Marketing partnered with Social Media Week New York and sold out two events in the IAB Ad Lab with more than 200 total attendees.

Marketing's strategy to make the IAB Blog and IABtv sources of thought leadership content continues to result in increased viewership. Traffic to the blog from February to April averaged 9,156 page views per month, up 12 percent from the same period in 2012. The team sourced content from across the IAB spectrum. Authors included IAB's Peter Minnium on the seven new IAB MIXX categories, IAB's Steve Sullivan on preparing for viewability through IAB SafeFrame, and Social Media Committee members Keith Trivitt and Phil Ripperger on their perspectives from IAB Social Media Agency Day. IABtv had its highest viewership ever in April with 16,782 video views, up 61% compared to April 2012. During this time, eight out of the top 10 most viewed videos were about IAB Rising Stars. Overall, traffic to IAB.net is on an upward trend in 2013. April unique visitors reached 175,295, a rise of 9 percent from January. April page views hit 385,978, up 8 percent compared to January.

Events

By all performance indicators Q1 has been a success for IAB Events. The business has generated over $2.2 million in gross revenue and contributed nearly $1.1 million net to IAB, representing a 77% overperformance against plan for the quarter. The four events held from January to March —Annual Meeting and 3 Case Study Road Shows—hosted over 1,000 senior executives from across the marketing & media industry, 37% coming from the client side.

The Annual Leadership Meeting continues to be an extremely valuable part of the events portfolio. The 2013 event set attendance and revenue records, attracting 880 attendees and generating over $2.1 million in revenue 14% ahead of plan and a 25% growth over 2012. It continues to be a central venue for leaders to come together to address industry challenges, as evidenced by the new Town Halls introduced in 2013. Well over 100 people showed up at each session to debate, discuss and ultimately advance the conversation around Viewability, Native Advertising and Programmatic Buying. These interactive thought leadership sessions will remain a cornerstone of programming for future Annual Meetings.

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The softness seen on the sponsorship side in 2012 seems to have been mitigated in 2013 by the introduction of new inventory that matches current marketplace needs- especially around content marketing opportunities. Sponsorship sales for Q1 are over $1 million, and 13% ahead of plan.

IAB Finances

Under the leadership of EVP & COO Patrick Dolan IAB finances began the year on a record pace. In Q1 dues revenue came in on budget at just over $2.3 million, collections have been robust with almost 80% of all receivables secured by the end of the quarter. As mentioned above, our events business began the year above plan, with events in Q1 adding $1.5 million gross profit - $380,000 over plan. Other revenue streams – including the Quality Assurance Guidelines compliance priogram, Ad Tech Board, Digital Sales Certification and Spiders and Bot - are slightly below plan by $200K, though this is mainly due to timing; we expect to be on plan by the end of the year, with reduced expenses of $280K for the quarter. Overall, topline revenue came in at $5.3 million, 3 percent over budget, expenses $4.9 million, 5 percent under budget with net revenue of over $330 thousand, 473 percent above plan.

In summary, IAB is very healthy – and very busy, as we pursue our commitments to the growth and improvement of the entire digital advertising industry.

Respectfully submitted,

Randall Rothenberg
President and CEO