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President's Report
"Leading the Advertising Industry"
November 16, 2012

The year now ending will be recalled as the year that digital media became the mainstream channels for the advertising and marketing industries. Revenues continued to climb, with the IAB Internet Advertising Revenue Report prepared by PwC US showing that **internet advertising revenues in the first half of 2012 rose to an all-time high of $17 billion**, representing a 14 percent increase year-over-year. On a segment basis, digital media are now larger than cable television, magazines, and newspapers.

Digital segments also are growing, in some cases strikingly. **Mobile ad spending was up 95 percent** to $1.2 billion in the first half of 2012. Digital video, a component of display-related advertising, saw an increase of 18 percent year-over-year, bringing in a little over $1 billion in revenue in the first two quarters of 2012 compared to nearly $900 million in the first six months of 2011. Search, after seeming to plateau for several years, has seen a dramatic revival, with first-half spend totaling $8.1 billion, up 19 percent 2011.

In this robust environment, **display advertising overall lags the field**. Revenues in the first half of 2012 totaled almost $5.6 billion, up 4 percent from the first half of 2011. Several IAB member companies have attributed the relatively slow growth in display advertising to factors similar to those cited by The New York Times when it released its Third Quarter earnings on October 25: "Standard web-based digital display advertising has been experiencing challenges, including a glut of available ad inventory and the resulting downward price pressure as well as a shift toward ad exchanges, real-time bidding and other programmatic buying channels that allow advertisers to buy audience at scale, including through platforms owned or operated by Google and Yahoo."

While pricing and the overall supply-demand imbalance are outside the scope of the IAB's activities, much of our work involves remedying the challenges to display-related advertising, which we believe present challenges not just for publishers but for all marketers and agencies that depend on the creation and ownership of brands. IAB believes these remedies include (but are not limited to) developing better technical standards, removing friction in the supply chain, identifying best practices,

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educating and training the industry, constructing better opportunities for creative expression, and showcasing successful digital advertising efforts and drawing and communicating lessons from them. Our activities since our last Board meeting have concentrated in these areas, and I would like to spend the rest of this report outlining those activities and accomplishments.

Making Measurement Make Sense (3MS)

The Making Measurement Make Sense initiative has now taken on an air of inevitability in the advertising industry. Thanks to the work of the 3MS Task Force, co-led by IAB, ANA, and 4As, industry is well on its way to making **viewable impressions the new currency standard**, replacing served impressions. This will put digital advertising on a level playing field with other forms of media advertising, and facilitate cross-platform planning, buying, and optimization, as well as comparative analytics. As testament to industry interest, in July, the leaders of 3MS - IAB's Sherrill Mane, Mike Donahue of the 4A's and Duke Fanelli of the ANA, along with David Gunzerath of the MRC - provided and update on 3MS that was attended by 453 members of the three associations.

At the conclusion of the large scale pilot tests on viewability, the MRC briefed the 3MS leadership; the associations' leaders; and the leaders of the Blue Ribbon Task Force. The MRC briefing, titled "MRC Viewable Impressions Advisory," is being distributed to the broader industry the week of November 12th by the associations. The document summarizes the results of the pilots and advises the marketplace that **it is premature to transact on viewable impressions** due to outstanding challenges that still must be resolved. The greatest challenge is overcoming the high percentage of served impressions that simply are not measurable. The primary cause of non-measurability is cross domain i-frames, although other factors may exist, as well. The MRC advisory further recommends that that deeper and broader testing should continue throughout 2013 as planned, in order for the viewable impression currency to become as robust as possible.

The pilot test results indicate that the proposed viewability standard - 50% of pixels in view for a minimum of 1 second - appears likely to be the right minimum for most ad units. However, large ad units, notably the IAB Rising Stars, may require an adjusted standard. Testing will continue on these units.

The 3MS team and the MRC continue to make progress on other parts of 3MS. Most notably, the three associations are moving forward with a group of executives from across the ecosystem in developing an Ad Taxonomy and Classification for banners, rich media, and digital video.

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Sherrill Mane, IAB's SVP Research, Analytics and Measurement, was recognized for her work leading 3MS by being named a 2012 Media Maven by *Advertising Age*. Sherrill has been a featured speaker at a number of events including the Columbia University Business School Media Management Institute, the Marketing Accountability Standards Board, DigiDay Video Conference, Cynopsis Video Measurement Summit, and the IAB Mexico Innovation:Metrics Conference. She has been quoted in two prestigious industry reports, The Magna Global Media Economy Report and Advertising Age's Building Brands Online.

www.measurementnow.net, the official 3MS website, is up and running and serves as the place to go for updates on the progress of 3MS.

Research

Under Sherrill's leadership and with strong work by Research Director Kristina Sruoginis, IAB is gaining new prestige as a research organization.

Perhaps the timeliest and most prescient studies developed by IAB explored the use of digital media and advertising in American political campaigns, and were published as America prepared to vote. Sherrill Mane, Kristina Sruoginis and Alison Pepper collaborated to create **The 2012 Elections and Digital Political Ad Campaigns**, a report in partnership with Campaigns and Elections Magazine. The partnership permitted us to reach political consultants and decision makers on campaign advertising. The study revealed that political campaigns were spending more in digital than in 2008, particularly social media, and all were using microtargeting, citing targeting as one of the best attributes of digital. Furthermore, various forms of targeting and customization were cited as key 'wants' for future elections, with more targeted, interactive and digitally influenced campaigning predicted for the future. There were still some stumbling blocks to increasing budgets including the tried and true uses of TV advertising juxtaposed with the challenges of implementing digital ad campaigns.

The second election study, commissioned by the IAB Data Council, also examined the role of interactive digital tools in today's campaigns and elections. **Election 2012: Big Data Delivers on Campaign Promise** was prepared by writer and journalist Nathan Abse, based on in-depth interviews with more than 15 leading digital political advertisers and consultants involved directly in microtargeting, as well as data brokers, political scientists, journalists and other subject experts. Key findings from the IAB whitepaper include that microtargeting has become the predominant means of

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delivering political messages online. Microtargeted political ads are growing in use as a tool among campaigns and outside groups, political consultancies, as well as public relations firms – all of which coordinate and direct political ad buy and are being used at all key points in political campaigns – to recruit and raise money, to persuade undecided voters and to get out the vote. They make use of online and offline data to find appropriate audiences, and create constantly adjusted models to further refine their focus.

Among the highest profile studies released since our last Board meeting is ***The Economic Value of the Advertising Supported Internet***, a study conducted on IAB's behalf by Professor John Deighton, Harold M. Brierley Professor of Business Administration, Harvard Business School, and published on Oct. 1. The study revisits the seminal work published by the IAB and Prof. Deighton's team in 2009. This time, the research showed that the ad-supported internet marketing ecosystem is responsible for a total of 5.1 million US jobs, twice as many as in 2007, the last complete year of data upon which the original report was based. In addition, **the ecosystem contributed $530 billion to the US economy in 2011**, nearly double the contribution in 2009, and accounted for 3.7 percent of US gross domestic product, up from 2.1 percent four years ago. Every single US congressional district is home to at least a handful of enterprises that are part of the ecosystem. Publication of the new report was greeted by extensive, extremely positive press coverage.

Developed for release and presented by Kristina Sruoginis, IAB Research Director, at the IAB Multicultural Agency Day**, *Hispanic Consumers and Digital Media*,** a special analysis using BIGinsight data, looked at Hispanic consumers and Hispanic Moms, showing that they have higher consumer confidence, are planning more major purchases, and own and use mobile and digital media more than the general population. Moreover, US Hispanics are more likely to seek and to give advice about purchase decisions using digital and mobile media.

Consumer Travel and Digital Media, another special analysis using BIGinsight data, examined the market for winter travel. Key findings include: nearly one quarter of Americans reported that they are planning vacation travel, travel was the #1 major purchase planned with computers (16%), with furniture (14%) and new cars (11%) following; travel intenders are heavier media users than the general population; and marketers in the travel industry should make digital a core component of their winter vacation travel media mix.

The IAB Research Council has launched the **Resource Center for Ad Effectiveness Studies**, housed on our website as a one-stop shop providing a wealth of information and guidance on the quality and lack thereof in the methods currently deployed to study online advertising brand impact

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and how to navigate the constant calls for these studies. The Resource Center builds on the work begun with Dr. Paul Lavrakas's paper on the methodologies commonly used for this research and the best practices document that resulted, and includes a "Checklist for Improving Ad Effectiveness Studies," along with standardized forms to streamline ad effectiveness studies. Kristina Sruoginis and IAB Research Council Co-Chair Stephanie Fried of Vevo presented the Checklist at the Advertising Research Foundation (ARF) Measurement 7.0 conference. The Ad Effectiveness Study Resource Center provides access to publisher forms, the two whitepapers, Powerpoint summary and the checklist.

Building Brands Online

IAB activities to help marketers and agencies build brands online span the spectrum of the bureau's initiatives. We have placed an increased focus on joining these in a cohesive narrative—to give marketers further confidence in digital media as a place for a superior return on their brand dollars. The core pillars of this story are the work undertaken to enable engaging creative experiences (e.g., The Rising Stars), to measure the brand building effect (e.g., 3MS), and to lubricate and simplify the supply chain (e.g., v-suite and IES). Further supporting the narrative are the successful efforts to protect consumer privacy (since trust is a fundamental element in brand communications), in demystifying dat (an underutilized tool to brand marketers), and developing cross-screen campaigns via the IAB Mobile Marketing Center of Excellence.

The lead initiative in our brand story is the Rising Stars program, which is designed to offer brand marketers irresistible canvasses across screens. Rapid innovation continues apace; the new Standard Ad Unit portfolio will be two-thirds new by the time we hold our Annual Leadership Meeting in February. The **Display Rising Stars are now common currency in agency plans** and broadly supported by publishers – including 70+% of comScore's top 25 - and all major rich media providers. The results of broad, in-market effectiveness research with five publishers (including MSN, AOL, Yahoo!), four advertisers (including AT&T, Unilever, Chrysler), five agencies, five rich media partners (including Doubleclick and Mediamind), and 4 million impressions definitively showed the value of the Display Rising Stars. Unveiled at an Ad Lab Town Hall event, the research showed the new units outperformed legacy IAB standards by 246% in Universal Interaction Rate and 49% in Universal Interaction Time. IAB Rising Stars Ad Interaction Phase 2 Research was conducted on live campaigns and used MOAT analytics, and reinforced the findings from Phase 1.

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We are extremely proud of the recognition achieved by the IAB Rising Stars Ad Interaction Phase 1 research, designed and conducted by Kristina Sruoginis with IPG Media Lab, which was nominated for an ICOM Data Creativity Award in Rome.

The **Mobile Rising Stars** have exited the build-out phase in which 12 member companies collaborated in five working groups to create detailed specs and style guides. Early adopters of these new units include a Who's Who of major marketers, from P&G to Coca-Cola to Disney. Unlike the Display Rising Stars, the mobile ad standards are entering an ecosystem where the cement is still being poured. The setting process is likely to be lengthy and arduous, with the Mobile Rising Stars both facilitating and benefiting from advancements. An important milestone arrives in February, when some or all of the units will become part of the official IAB Standard Ad Unit portfolio.

The **Digital Video Risings Stars** program is in the evaluation phase, with the seven dozen entries having undergone their first review by an ad ops panel, a subset of the IAB Ad Ops Committee. The Agency Working Group, consisting of 36 companies that represent over 80% of the buy-side volume, will meet in December to judge the submissions. The winners will be announced at the Annual Leadership Meeting in February of 2013.

Mobile Marketing Center of Excellence

The IAB Mobile Marketing Center of Excellence continues to show its market influence, leading the digital industry in research, standard-setting, best practice identification, and other activities central to the growth of the mobile advertising and marketing industry.

2012 has been a very successful year, with the Center doubling its membership. Focusing their focused their efforts on evangelizing mobile best practices as well the Center itself**, IAB VP Mobile Anna Bager and her team have so far spoken at 60+ events** and conferences both domestically and internationally. The Mobile Center has also been featured frequently in the press, including a monthly Column in ClickZ.

Some of the Mobile Center's key accomplishments of 2012 include the launch of IAB's Mobile & Tablet Rising Stars ad formats; the "Tap into Mobile" program, an online hub and resource for

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optimizing mobile sites for small and large companies; and the release of MRAID 2.0 (Mobile Rich Media Ad Interface Definitions) guidelines used to standardize communication between rich ads and apps. Furthermore, the Center has published guides and well received studies such as the local buyer's guide, a whitepaper looking at perspectives on responsive design, and a consumer research study entitled *Mobile's Role in a Consumer's Media Day,* done together with ABI research.

The Mobile Center's upcoming projects will be the Mobile Shopper's Report, the Mobile Video Diaries with On Device Research, the Mobile creative guidelines and the Mobile In-App Measurement guidelines in conjunction with the MMA and the MRC.

Public policy continues to be a major focus of the MMCoE, with IAB continuing to increase our visibility and influence with key events, and Congressional and Administration outreach. **Mobile Center Policy Director Sarah Hudgins acted as a mobile privacy expert for the Congressional Internet Caucus Annual State of the Mobile Net Conference**; and Anna Bager spoke at the Federal Trade Commission's Dot Com Disclosures: Small Screens public workshop, and presented the Digital Advertising Alliance Self-regulatory Program for Online Behavioral Advertising and Multi-site Data Collection at the National Telecommunications and Information Administration (NTIA) Multistakeholder Process to Develop Codes of Conduct for Mobile App Transparency. Policy further expanded the Mobile Center's reach with regulatory filings at the Federal Communications Commission (FCC) regarding mobile device privacy and children's privacy at the FTC. Policy also secured FCC Commissioner Robert McDowell as a keynote speaker at this year's IAB Mobile Marketplace.

Advertising Technology

The Advertising Technology Council, led by a 17-company advisory board, settled on six major areas of interest on which to focus energy in 2012. Members of the advisory board adopted each of the 6 initiatives then reached out to the larger Ad Tech Council for participation in the resulting working groups. The following is a brief description of the three most active of the working groups:

- Under the leadership of DataXu and The Rubicon Project, the Real Time Bidding (RTB) working group has taken on the task of making quarterly updates to the standard OpenRTB protocol developed to support efficient real-time communication between DSPs and SSPs. The most recent point release was **OpenRTB 2.1**, available on the IAB site.

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- Representing the Ad Tech Advisory Board, Rubicon Project, Google, Turn collaborated with Mobile Marketing Center of Excellence Board members AOL and Verizon to lead a working group called **The Future of the Cookie: Tracking and Privacy in a Post Cookie World**. This group is tasked with developing a technical solution to the myriad issues resulting from the misappropriation of the cookie as a mechanism for persistent consumer identity and choice in the digital advertising environment. The negative impact of our reliance on cookies is felt acutely by publishers as users consume more and more content on mobile devices.
- 3MS/Viewable: Implementation & Implications is a working group led by Collective and Turn, with the goal of providing technical feedback to the leadership of 3MS while working on practical best practices around the implementation of viewable impression solutions. The hope is that technical engagement by advertising technology companies can lead to lower incidents of viewable discrepancies through common viewable executions.

The **IAB SafeFrame Initiative** is on track to release a specification for public comment at the 2012 IAB Ad Operations Summit on November 19th. Along with the specification the IAB will be releasing an open-source SafeFrame reference implementation which can be used by any publisher to implement the currently specified SafeFrame functionality. As mentioned before, broad adoption of SafeFrame is critical to the success of the 3MS initiative, as it offers a solution to the issue of not being able to measure viewability through cross-domain iFrames. However, that is only one of the many benefits SafeFrame has to offer the digital advertising industry. Others include:

- Publisher control: SafeFrame provides isolation between publisher content and ad code, which allows publishers to maintain control of page layout, limiting interference from ads that have not been properly formatted for the site, or do not perform well in terms of load time and/or on page errors. Using the SafeFrame API, publishers also have the ability to decide what website information (if any) should be exposed to which advertisers.
- End-user safety: Ads shown from un-vetted sources (i.e. third-party rotations) would not be able to access the content of the surrounding page and capture sensitive user information displayed on the webpage (i.e. PII, email, banking information, etc.)
- New Publisher Revenues: With SafeFrame enabled, publishers will be able to sell "rich media" placements without the need for publisher side files and the vendor agreements that come with them. This also applies to pages that have been previously off-limits because of the consumer safety threat of allowing ad code direct access to page content.
- AdChoices Meta data: The SafeFrame protocol will enable the passing of AdChoices meta data, which will be rendered for consumers when they click on the AdChoices icon in the

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upper right of the ad. For the first time, the functionality behind the Industry's Self-regulation solution will be able to present cross-party data about how that ad was served and what data was collected while doing so .

IAB is modernizing its 2008 Campaign Best Practices Guidelines to help streamline the process of buying and selling digital advertising. The recently convened cross-industry **Digital Advertising Workflow Best Practices** working group will focus on updating workflow stages, as well as planning for new technologies that will impact the digital advertising workflow. It will also develop standardized nomenclature and best practices to each stage of the workflow. The resulting document will provide an accurate description of the complex workflow involved in executing a digital advertising campaign, provide best practice guidelines to enhance efficiency and productivity for both the buy and sell side.

The Data Council released *Digital Attribution Comes Of Age*, a commissioned study by Forrester Consulting on the current state of attribution at the IAB Ad Technology Summit. At the summit, the Data Council released a companion document, *The IAB Digital Attribution Primer*. To help promote better understanding and use of best practices in data, the Data Council took its successful Data Demystification Day program to the West Coast with presentations in both Mountain View and Los Angles.

In other public events, IAB moderated a panel at this year's DataWeek 2.0 conference in San Francisco. The council's "Site Tagging Best Practice" white paper is ready for public comment and the new Social Data Best Practices working group kickoff. The Data Council also teamed up again with the Winterberry Group to release the seminal "The Data Management Platform: Foundation for Right-Time Customer Engagement" which surveyed over 150 Executive-Level Thought Leaders to finds trends in this emerging technology which more and more is playing a major role in future of advertising, marketing and customer engagement efforts.

Committees and Councils

The **CFO Council** continued to focus on industry benchmarking and knowledge sharing. The council completed its Mobile Revenue Recognition study, released its quarterly industry A/R survey, and advanced work on its compensation survey. The Sales Executive Council hosted a well-attended town hall at the IAB Ad Lab to discuss how to sell the new Rising Stars brand friendly ad units.

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IAB committees have been active in keeping their members—and agencies and marketers—informed of the developments. The **Audio Committee** held an Agency Day event in October at Tribune's Offices in Chicago, attracting 30 representatives from Digital Audio publishers and over 70 from agencies. Attendees included Starcom, GRP Media, Pinnacle Advertising, Omnicom, ComScore, Zenith Media, OMD, AOL, CBS, Pandora, Triton, TargetSpot, Katz 360, Impremedia, Univision, and Premiere Radio. The Committee continues to focus on defining digital audio metric definitions, including that of an impression, and is looking to expand vSuite to include audio ad units.

The **Social Media Committee** honed in to focus on the relationship of Paid, Owned and Earned Media. As a kickoff, the committee hosted a Tweetchat in August that generated 31,305,977 impressions with a reach of 3,227,954 followers in 24 hours. In a similar vein, the committee launched a "Members Speak Out" moderated blog series on POE that has discussed social influence and the importance of visual content creation. In September, the IAB developed a panel for Social Media Week Chicago on POE that included members Bluefin Labs and Local Response along with Miller Coors and Havas, moderated by Steve Wax. The IAB along with the MRC and WOMMA continue work to develop social media guidelines and metrics.

The **Games Committee** has defined "Everybody Plays" as the primary strategic direction of the group. They are working toward an educational, animation-style video on the topic which will be debuted at an Agency Day event in January, along with new IAB segmentation research done in conjunction with IDG and IPSOS. The **B2B Committee** named as co-chairs Michael Friedenberg, President & CEO at IDG Enterprise and Bob Felsenthal, Publisher at BtoB Magazine. The committee is working towards a case study compilation.

In April, VMAP, a new protocol for in-stream video was released. In addition to already released specifications VAST and VPAID, the trio was named the IAB Video Suite. Throughout the summer the **Digital Video Committee** doubled down on Video Suite cross-industry educational efforts. In October, the Mobile and Digital Video Committees launched a joint Mobile Video Taskforce.

The **Multicultural Council** continues a project in conjunction with comScore and a number of IAB members to improve audience reach and compositions numbers for African Americans. The Networks and Exchanges Committee decided to split Exchanges into the programmatic groups within the Ad

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Technology cluster of the IAB. The **Networks Committee** will officially rebrand at the beginning of 2013 and will begin a Networks Marketplace Overview. In November the Networks and Exchanges Committee launched a project to define reach and the QAG 2.0 evolution project continues and looks to launch early 2013.

The **Local Committee,** in partnership with the Local Search Association (LSA), released a study written by Rebecca Lieb of the Altimeter Group on Co-Op Advertising. The study estimated that the online co-op market currently has $1.7 billion available, but estimates $450 million is untapped "for lack of participation." The LSA presented a case study with Yellow Pages to explain how IAB members could take advantage of Co-Op advertising.

Public Policy

The IAB has focused its public policy efforts on educating key decision makers in Washington, DC and beyond. For the first time in its history, the **IAB represented the digital advertising industry at the national party conventions**, attending the Republican National Convention in Tampa and the Democratic National Convention in Charlotte. In addition, the IAB Political Action Committee (PAC) invested campaign dollars into political candidates who will represent our interests in the next Congress.

The IAB PAC gave nearly $30,000 to Federal candidates this election cycle and we are happy to report our efforts paid off on election night. **IAB-supported candidates won all five of their Senate races, including hotly contested seats in Missouri, Connecticut, and Nevada**, where IAB backed an industry champion early in the process and never wavered from that support**. In the House we won seven out of nine races**, and while a strong ally was defeated when Subcommittee Chairwoman Mary Bono Mack lost a close race in California, we have built deep relationships with her two most likely successors, supporting both this cycle. Overall, the IAB PAC had a sterling 86% success rate and 92% of our political dollars went to candidates who won their races. We engaged in the political process early and often and will benefit from these long standing relationships. We encourage our Board members and senior executives of all IAB companies to contribute to the PAC, and to use the PAC's meet-and-greets with legislators as an opportunity to develop relationships with Congressional leaders.

The Public Policy team and the Ad Technology team together represented IAB and our members' point

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of view at the meeting of the **Worldwide Web Consortium (W3C)** in Amsterdam, the Netherlands, this summer. The W3C has been attempting to develop a global standard for the way Do Not Track requests will be recognized by Web browsers.

Training and Development

In August the IAB appointed Michael Theodore to Vice President, Training and Development. In this new position, Michael is responsible for managing and cultivating the IAB Digital Media Sales Certification program as well as developing and facilitating professional development curricula and training materials.

The Digital Media Sales Certification program continues to accomplish what it set out to do when it launched just five months ago—create an industry-accepted standardized examination that helps companies create and maintain professional sales teams and provides them with a tool for hiring and evaluating employees. During the first testing window in June, 125 applicants were approved to take the certification exam. In the current window (October 1 – November 17) 385 additional candidates were accepted.

The first testing window produced **101 successful certificants**, with some candidates electing to postpone taking the exam until October. The current window is expected to produce another 125+ certificants, with close to **300 candidates eligible to take the test in January** (the next testing window) and April 2013.

To help prepare candidates for the two-hour, 100-question multiple-choice exam, the IAB has developed a comprehensive Study Guide, a Sample Test, and a Candidate Handbook. The IAB is also working with a variety of training companies to provide both public and private workshops that focus on areas covered in the test.

A number of Board-level companies have been particularly active in having employees take the exam, including NBCU, Condé Nast, Real Media Group, Everyday Health, Time Inc., Tremor Video, and Collective. Collective, in fact, is the first company to publicly state that all of its salespeople need to pass the examination as a condition of employment. An exclusive news article in Ad Age provided excellent coverage of the Certification program and led to one of the most successful one-week flurry of applications since the program started.

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Testing windows in 2013 will take place throughout the entire month of January, April, July and October. To meet the aggressive sales goals for next year, the IAB has retained the services of The 614 Group to sell to corporate accounts. Other top priorities for the department in 2013 include developing the Governance structure (transforming the Founders Commission into a Board of Directors) and establishing a continuing education program to satisfy re-certification requirements. In addition, the IAB will consider expansion of the Digital Media Sales Certification program to include other functional areas within the seller side (i.e. ad ops) and the buy side (agencies and/or marketers).

The Professional Development program will continue to train entry- and mid-level sales professionals through a combination of partnerships with experienced training companies, relationships with academic institutions, specialized training provided by in-house experts, and online webinars and webcasts.

Marketing

Under the leadership of EVP & CMO David Doty, Marketing Director Chris Glushko, and Public Relations Consultant Laura Goldberg, IAB Marketing took a proactive role in creating a higher profile for the bureau by crafting innovative opportunities that brought a multiplicity of voices together in interesting new dialogues that influenced significant industry audiences—including publishers, agencies, and marketers. The team developed such new ideas as taking the Agency Advisory Board to California on a **"Madison Avenue Meets Silicon Valley" tour,** leveraged new stages for our messages such as a groundbreaking all-day "Mobile Forum" in Cannes, drove more strategic relationships with agencies through an on-going agency tour that brings our members' top clients our view of the marketplace, and crafted the "missing piece" for market awareness of 3MS by taking the lead on developing a complete marketing plan and new website for the initiative. Together, these efforts delivered deliberate communications results for key IAB objectives, and the team achieved new records in press coverage and website traffic in the process.

In July, on its mission to encourage and influence leading agency creatives and media professionals to engage with publishers, technologists, and venture capital firms, we brought 18 members of the IAB Agency Advisory Board to the West Coast. During the trip, the group met with Facebook, Twitter, the venture firm Kleiner Perkins, and professors at Stanford University. Kleiner Perkins in turn brought out its most important thought leaders, including Mary Meeker, as well as several companies in which it has invested—Flipboard , Spotify, Zynga, and Klout, with all presenting their value propositions through short presentations. This *Madison Avenue meets Silicon Valley* trip will serve as a model for future

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bridge building between IAB members and other key industry stakeholders.

Building deeper, direct relationships with many agencies is a top priority. From June through October, David Doty and Head of Brand Initiatives Peter Minnium **presented key IAB messages to seven top agencies**—360i, BBH, Cramer-Krasselt, Deutch, Digitas, McCann, and Wieden+Kennedy. Doty and Minnium have now reached hundreds of leaders at nearly 20 agencies.

In June, Marketing made **IAB.net** more closely reflect the organization's key objectives through its first significant redesign in four years. Intentional about the changes mobile has brought to our industry, the Marketing team gave the website a mobile-friendly skin, the *Tap into Mobile* site mobilizer, a new Mobile Marketing Center of Excellence landing page, and a more prominent mobile presence on the homepage. In addition the website now features new hubs for research and public policy, updated pages for staff and board members, and a new center for international IABs. Each month from June through October, IAB.net set a new record for unique visitors. Average unique visitors per month during this period were up 89% to 211,952, compared to 111,932 during the same period in 2011.

Throughout the last five months, Marketing added significant new thought leadership content to IAB.net to drive deeper engagement with readers. Traffic to the IAB Blog grew 140% during this period to 11,689 page views per month, up from 4,876 during the same period in 2011. The team sourced content from across the IAB spectrum with highly read posts penned by IAB member The Rubicon Project on the future of the cookie, the IAB Social Media Committee on paid, owned, and earned, and IAB Public Policy Director Sarah Hudgins on her observations from the national political conventions and their relationship to digital advertising.

Marketing's strategy to leverage IAB conferences for video content to extend the thought leadership of IAB events continues to pay dividends. Eighteen interviews with industry leaders (including MLB Advanced Media's Bob Bowman, BlogHer's Jory Des Jardins, and Foursquare's Dennis Crowley) and 45 stage highlight videos from Innovation Days, the IAB Mobile Marketplace, and the MIXX Conference made their way to our YouTube channel, IABtv. Traffic grew by 33% from June through October with 46,017 video views, compared to 34,639 during the same five-month period in 2011.

Marketing made the IAB Mobile Marketing Center of Excellence a top priority, driving visibility for the Mobile Center's work through press, social media, infographics, and live events. The "2012 Olympic Games Go Mobile: United Kingdom vs. United States" report received significant coverage in the United Kingdom, and the "Moms Go Back-To-School with Mobile" study received exclusive placement in *MediaPost*. Mobile Center General Manager Anna Bager and Mobile Center Senior Director Joe

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Laszlo continued to write their monthly column in *ClickZ*.

Reaching the world's leading creatives at the **Cannes Lions International Festival of Creativity**, Marketing conceived and executed a full-day mobile forum in Cannes, with Randall Rothenberg chairing the entire day and moderating a session dedicated to creativity in the mobile space. The forum was previewed through *Adweek,* and the marketing team drove strong attendance through targeted communication and on-the-ground promotion at the festival.

Marketing designed a strategic communications plan for the Digital Media Sales Certification to build awareness and education around the program while driving applications. The campaign included a combination of paid advertising across Facebook, LinkedIn, and IAB SmartBrief; social dimensions; and person-to-person sales powered by new hard collateral. The program reached its goal of more than 500 applicants in 2012.

Events

IAB Events continue to be a top-tier platform for groundbreaking industry thought leadership, as well a vibrant marketplace for networking and deal making. In 2012 to date, **IAB events saw nearly 6000 attendees coming from all areas of the ecosystem - 46% from the buy side**.

In October the annual MIXX Conference and Expo brought 2000 senior marketing and media executives together for two days of industry leading keynotes- including Andreessen-Horowitz's Marc Andreessen, Facebook's Sheryl Sandberg and L'Oreal Chief Marketing Officer Marc Speichert. The annual **MIXX Awards generated record high submission revenue of $368,000**, up 22% from 2011.

The 2013 Annual Meeting, themed "Big Data & Big Ideas: Friends, Enemies or Frenemies?", will take place February 24-26, in Phoenix, Arizona. Opening keynote will be statistician and NYT writer Nate Silver. Registration and sponsorship sales are already on track to generate record high revenue of $1.8 million and profit of 950K.

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Membership

In June Julie Van Ullen was promoted from Director of Business Operation to become the new Vice President of Member Services. Under her leadership membership, particularly General Membership, has grown steadily since our last meeting in June 2012, with **30 new General and 6 new Associate members**, bringing total General and Associate membership to 546. Notable new members include Nascar, GumGum, NFL, and Flipboard.

New Members: June 1 – November 1, 2012

Organization Name	Member Type
NASCAR	General
deviantART	General
Stipple	General
STEEL MEDIA, INC.	General
YP	General
Showtime Networks, Inc.	General
TrialPay, Inc.	General
MediaFire, LLC	General
Aha Radio by Harman International	General
SOHU	General
GunBroker.com LLC	General
Stremor Corp	General
Major League Gaming	General
New York Public Radio	General
Adslot	General

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ZUMOBI	General
LeadBolt	General
OverBlog	General
AdSupply Inc	General
AdExcite	General
Remark Media	General
VISIT FLORIDA	General
AdTheorent	General
Luminate	General
National Football League	General
Flipboard	General
Airpush	General
GumGum Inc.	General
BBN Networks LLC	General
Tylted Ltd	General
Airpush	General
Visual IQ, Inc.	Associate
nPario	Associate
SeamBI	Associate
motionBEAT inc	Associate
MarkMonitor	Associate
Kilpatrick Townsend & Stockton LLP	Associate

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In addition, through an excellent partnership with BlogHer, the IAB put up a booth at their August event in New York and brought in in excess of **600 new Long Tail Alliance Members**, bringing the total of our Long Tail Membership to 1,128. This exciting new influx of small publisher members has allowed us to pull together successful and well-attended webinars and networking events specific for this important group.

With member engagement and retention always top of mind, we kicked off a very successful **"Member Champion" Breakfast Series** in early September, inviting the key contacts we have within each of our member companies. The goal here is to better cultivate member advocates to help spread IAB participation information within their companies. Through events like this, timely outreach to under engaged members, and the tireless effort to keep our database up-to-date, along with the robust participation offerings, member retention is at 93% for 2012.

International

Under the leadership of EVP, CMO & Head of International David Doty, along with Executive Advisor Rob Rasko, IAB developed and strengthened its international network, building strategic partnerships and driving member value in our 37 affiliated international IABs. On October 3 and 4, IAB held a historic **Global Summit**, its largest ever, **with 114 digital leaders from across the globe** gathering in in New York. This year, for the first time, IABs from Asia/Pacific, Europe, South and North America, as well as the Caribbean brought their most influential corporate members to take part in the experience, setting the foundation for a new era of IAB global cooperation. This gathering of 50 top digital companies and 23 IABs tackled many of the most pressing issues affecting digital marketing across the globe: brand building, policy and privacy, measurement, advertising technology, and growing mobile. Speakers included former FTC Commissioner Pamela Jones Harbour, Google's Neil Mohan, UM's David Cohen, and MRC's George Ivie.

At the Global Summit, we announced an initiative for building a stronger global IAB—a new membership category in the United States **for international members**. This membership would be open to the largest and most influential corporate members of national IABs at no additional charge beyond what they pay their local IABs. This would allow international members to participate in the IAB councils and committees that set worldwide standards, giving publishers from around the world the

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opportunity to influence upstream standards and best practices as they are being created. Ultimately, this would help speed worldwide adoption of IAB standards, guidelines, and best practices.

David Doty also took the IAB international message on the road by speaking at the IAB Conecta conference in Mexico on July 27. The conference was attended by more than 1500 digital leaders. IAB Marketing then magnified Doty's message beyond the conference, generating more than 1200 views of his presentation on YouTube and more than 30,000 impressions across Facebook and Twitter. CEO Randall Rothenberg also spoke about the IAB's new international program at IAB events in Sweden, Norway, Chile, as well as at the China International Advertising Festival in Tianjin, China.

IAB Finances

Our ability to carry out our agenda has been facilitated by the good work of EVP & COO Patrick Dolan and his team, who have kept IAB finances strong and stable. The IAB is on pace for **record membership dues revenues in 2012**. At the end of the 3rd Quarter, IAB dues were over $7M, and we are projected to end the year having collected $8.8M. Increased dues collections have allowed IAB to continue our investment in major industry initiatives such as Making Measurement Make Sense (3MS) and Building Brands Digitally without turning to our members for additional support.

IAB events **revenues are falling slightly below plan**; we expect we will see approximately $6.4 million in events revenue, vs. $6.6 for which we had budgeted. **Net income is close to plan**; we expect $1.7-1.8 million in net profit for 2012, thanks to cost savings. Though the overall events business has seen rapid growth, with revenue up 89% and net profit up 200% over a five-year period, there are some signs of softness in 2012, most notably on sponsorship sales, which are down 5% from 2011. We think this is a due to changing needs in the marketplace, where sponsors are looking less for branding partnerships, which is how legacy inventory has been structured. In addition, the leadership and character of Advertising Week have changed; the week has now become largely a pay-to-play PR event, and several companies that he have counted or might have counted among our MIXX sponsors in the past are choosing to hold their own solo sponsored sessions during the week, cutting into our sales.

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Another change that has affected our Events business has been a transition in Internet Week, which has evolved into an agglomeration of smaller, free events. Attendance for IAB's Innovation Days at Internet Week conference was off markedly. With Crain Publishing taking an ownership stake in Internet Week and likely changing its character yet again, IAB is planning to bypass the week from a revenue standpoint, although we do anticipate continuing to participate in other ways.

However, thought leadership and content marketing platforms are more in demand, so we have overhauled sponsorship inventory for 2013 to focus on creating that type of value. We are already seeing a positive impact on sales of these new packages.

The year so far has been invigorating and positive. IAB's achievements – in Washington, in the marketplace, and on behalf of a wide range of our members - are probably greater than at any period in our history, as is our centrality to the marketplace and the recognition we are receiving. I am especially grateful to the hard work of our leadership team – Patrick Dolan, David Doty, Mike Zaneis, Sherrill Mane, Steve Sullivan, Michael Theodore, Lisa Milgram, Anna Bager and Julie Van Ullen.

They, I know, would attribute our successes to their teams – and they would be right.

As always, all of us thank the Board for your support.

Respectfully submitted,

Randall Rothenberg
President and CEO