

President's Report

May 21, 2014

Advancing an Expansive Ecosystem

by Randall Rothenberg

When the IAB launched in 1996, interactive advertising revenues were measured at \$267 million. In 2013, according to the IAB Internet Advertising Revenue Report conducted by PricewaterhouseCoopers, U.S. internet advertising revenues soared to a \$42.8 billion, surpassing broadcast television for the first time in history. Digital media are prevailing. The ecosystem has unfolded and expanded to serve blue-chip brand advertising to mass markets across an abundance of screens. Marketers are increasingly able to keep pace with rapidly advancing technology and consumer behavior.

As we meet, midway through 2014, IAB has just concluded management of a successful Digital Content NewFronts. Attendance and attention to this two-week event reached an all-time high, with more than 12,000 attendees at 23 separate events. Celebrities and media buyers came out in droves. Deals were locked. News about digital video made headlines several times a day during the 10-day period.

The mobile marketplace is growing at full tilt, with triple-digit revenue growth for a third year in a row. Mobile advertising now accounts for \$7.1 billion in U.S. advertising revenue - 17 percent of total 2013 revenue, compared to 9 percent of revenue in 2012. Central to this continuing growth are the many contributions of the IAB Mobile Marketing Center of Excellence, which educates, evangelizes, and helps facilitates the maturation of this powerful marketing mechanism.

Another signal event in our marketplace since our last Board meeting occurred in March, when the Media Rating Council lifted its advisory against transacting on viewable impressions for

display advertising. This major milestone of the Making Measurement Make Sense (3MS) initiative cannot be underestimated. The door to comparable, cross-screen brand metrics has been unlocked.

Education, too, is driving greater understanding and agility. To date, more than 3,000 people have applied for the IAB Digital Media Sales and IAB Digital Ad Operations certifications.

For all our successes, though, our industry still has a long way to travel. Fraud undermines our greatest successes. Consumers are transitioning their time and attention to mobile devices faster than industry standards, processes, and organizations. Marketers, agencies, and publishers find their costs increasing amid audience fragmentation and increasing demands for customization, while downward pressure on publisher advertising revenue makes it harder to support the quality journalism a democratic capitalist society requires.

This is why the IAB's five-year plan, The Path to Digital Dominance, is such an important road map for our industry, and how you will see our progress presented in this report. This plan, based on your feedback and that of member companies, ensures that we consistently, incrementally progress against a direction that will safeguard and propel the lasting success of your businesses.

Table of Contents

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

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

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

- Membership Services and Growth
- Public Policy
- Education and Training
- Research
- International
- Events
- Marketing
- Financial Management

The Trustworthy Digital Marketing Supply Chain

The digital advertising industry needs a transparent, liquid and safe marketplace for digital advertising and marketing transactions if it is to thrive in the long term. The activities and initiatives described below move us closer to this goal.

A VP of Advertising Technology search committee identified a replacement for Steve Sullivan: Scott Cunningham, formerly Senior Vice President of Product at sovrn. Scott, who joined us in early May, is responsible for the leadership and likely growth of the IAB Ad Technology team, while servicing three influential IAB groups: Advertising Technology, Ad Operations, and the Traffic of Good Intent Task Force. These efforts will be conducted in the context of the IAB's new strategic goals. As the "owner" of the technology team, there are technology projects under management that support a variety of the five strategic pillars.

However, Scott's strongest affinity will be to the goals associated with the Trustworthy Digital Advertising Supply Chain program. As I've said, the integrity of the digital advertising supply chain must be protected in order for online advertisers and the media they support to be both effective and innovative, and we felt it was crucial to bring someone on board who can focus on this issue, as well as provide hands-on expertise when it comes to the technical needs of stakeholders across the ecosystem. With his extensive experience optimizing the advertising systems of major companies such as USA Today, ManiaTV, The Denver Post, Digital First Media, Federated Media Publishing and sovrn, we are confident that Scott is the right person for the job.

In the first quarter, in-person meetings were held on both coasts, drawing from the core participants of **The Traffic of Good Intent** and **Quality Assurance Guidelines** programs, and broadening our participation in both from ad technology companies to branded publishers. . This

process is helping educate the marketplace about the fraud threats and establish a process for industry-wide solutions.

Building trust in the digital supply chain will require concerted effort in a number of areas. We must find effective solutions to eliminate non-human, botnet traffic that inflates inventory numbers while devaluing legitimate digital media. Publishers need to be educated so they do not unknowingly purchase low-quality traffic that puts money in the pockets of organized cybercriminals. The industry will strike at the heart of this activity by developing technical countermeasures to the proliferation of malware and by partnering with law enforcement authorities to bring down these networks. Increasing transparency in the nature of the inventory that is bought and sold will allow marketers to ensure their ads appear only in appropriate contexts. And we will not stand idle as Internet pirates profit from the digital advertising ecosystem.

The number of companies compliant with the IAB Quality Assurance Guidelines (QAG) is increasing. After the release of the expanded 2.0 version of the guidelines last year, companies have been working to upgrade their systems to be compliant under these guidelines. On May 13, IAB publicly announced that 29 companies are now fully compliant with these guidelines while another 8 are working towards certification in the near future.

In addition, over the past few months, IAB has been working collaboratively with representatives of groups of rights holders to help create a process that will help continuously monitor and improve our collective ability to repair or eliminate ad-supported copyright-infringing sites.

Making Measurement Make Sense

By 2018, IAB aspires for all media to be allocated and valued using common metrics, empowering marketers to create powerful cross-screen branding campaigns based on educated

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

On the morning of March 31, 2014, 3MS and the marketing-media ecosystem more broadly reached a major milestone: **Viewable impressions for display** were declared ready for transactions. The Media Rating Council (MRC) lifted the advisory against trading on viewable impressions for display and called for a gating period to test in-browser video viewability. The gating period ends June 30, 2014. In addition, the MRC released the findings of its Reconciliation Study. The reconciliation work details steps the accredited measurement vendors will be required to undertake in order to reduce variability in viewability measures across vendors: the goal is + or – 5 to 10%. Vendors also have been asked to implement changes within 60 days of the advisory lifting.

To mark the momentous change in currency and this major milestone toward more value for digital brand advertising, IAB embarked on publisher-specific communication and education efforts as well as ongoing collaboration with the broader cross-industry 3MS communication program, which is financed jointly by IAB, the ANA, and the 4As. For our members' needs, we created a number of resources including a new publisher-specific viewability FAQ. Sherrill Mane, SVP for Research, Analytics, and Measurement, authored a blog post explaining the MRC Reconciliation Study and its ramifications for publishers, and Sherrill led the creation and launch of new educational series, the 3MS Educational Forum. The first session, held on April 9, focused on implementation challenges. In addition to Sherrill, speakers included Domenic Venuto, Global President of Data and Technology, Vivaki; Jeffrey Burkett of the Washington Post; and Rob Rasko of the 614Group. Rob will be partnering with Sherrill on the rest of the 3MS Educational Forum. The next session will occur in late May. Sherrill continues to be industry lead on 3MS and spends considerable time working with small groups of members and individuals throughout the ecosystem advising, explaining and then circling back with MRC on a multitude of issues.

As part of our collaboration with the ANA and the 4A's on 3MS, Sherrill oversaw content creation for the newly relaunched measurementnow.net website created by Fleishman Hillard.

Looking ahead, many of us eagerly await the May 30th kick-off of the MRC-led Digital GRP Standards Development Groups. This, too, is a major achievement and moves us closer to writing standards for cross-platform GRPs. As in other areas of measurement and technology, there is already considerable problem-solving to be done around GRPs and quality measurement. There also is tremendous demand for this work.

Publisher Transformation

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

IAB has just concluded managing the **Digital Content NewFronts**. This year, the event was supersized—expanded to two weeks from one week and included the presentations of 22 major video content producers including the founders AOL, DigitasLBi, Google/YouTube, Hulu, Microsoft, and Yahoo, as well as newcomers such as Vice, Maker Studios, and BuzzFeed. Many of the 12,000 attendees walked out of the auditoriums inspired by the cutting edge of original digital video and ready to make deals. The media industry press took close notice, producing breaking news daily from their coverage of the events. It was an historic event demonstrating and supporting the ascendance of digital video as a mainstream entertainment and information medium, increasingly on a par with cable and broadcast television, albeit with unique capabilities

that we and our members believe will drive continued growth in ad revenues for this segment for the foreseeable future.

As a follow up to the IAB Native Advertising Playbook that was published in December, 2013, the **Native Advertising Task Force** spent Q1 gearing up to conduct the first large scale study of its kind focused on consumer insights into native advertising. While previous research has focused on the goals of marketers, publishers and advertisers, this member supported effort via Edelman Berland will be exclusively consumer-focused. The research will be designed to understand consumer interaction with In-Feed Native Ad Units on various websites to determine what elements are more or less likely to contribute to successful engagement and the types of native advertising content in which readers appear to be most interested. This information will enable publishers, marketers, and advertisers to collaborate to ensure that native advertising meets consumer expectations and achieves its ultimate objectives. The results will be presented at a workshop on July 22 in New York City.

Among the issues to which IAB will be particularly attentive is the tension between native advertising and its inherent presumption of customization and the need for ad format and distribution standards to create advantaged scale economics for publishers and agencies. Another issue in which we are particularly interested is whether the value of in-feed native advertising derives from its site-specific contextuality, or from its interruptive nature. The answers to these questions will have serious implications for publishers and agency profitability.

The **Social Media Committee** and the **Content Marketing Task Force** joined forces to conduct a joint “Breakfast and Learn” session focusing on the rise of visual content marketing, as part of the digital communications mix focusing on the animated GIF. In an entertaining presentation titled “Moving the Needle: The Power of the Animated GIF for Publishers & Advertisers,” Tumblr presented the history and significance of the GIF as a file format—including its decline in popularity and recent resurgence as a prime communication tool, plus best practices and the “secrets” behind a great GIF. All invited were encouraged to share their

insights on the use of GIFs for an IAB blog post. Ahalogy, Business Insider, BuzzFeed, Demand Media, Tumblr, and Unruly contributed to the post, which ran on April 3.

The Data Council has a major study in the field: *Going Global—The Cross-Border Audience Opportunity*. This study, conducted with the Winterberry Group, will benchmark the opportunity available to publishers and marketers to “go global” in their programmatic audience-development efforts. The research will explore the current opportunities for data-driven audience development across 12 markets in each of the three representative regions: the Americas, Asia-Pacific and Europe and Middle East (EMEA). Supported by Adobe, DataXu, Visual IQ and Oracle BlueKai this report will be released in late Q2 or early Q3.

Version 2.2 of the OpenRTB specification was released on April 24th, a backwards-compatible iteration of the popular programmatic protocol. Core features of this version include the optional ability for bidders to communicate suspicion of bot traffic as a reason for their decision not to bid, the optional ability for sellers to communicate that the request falls under the childrens’ protection legislation COPPA, and formalizes some aspects specific to private marketplaces.

The **Digital Video Committee** has had a very productive first quarter. The group released an important update of the **Digital Video In-Stream Ad Metrics Definitions** in March for public comment and subsequently held a webinar to answer questions and take members through newly revised definitions on April 25th. The final will be released in May. To accompany the final release, educational resources such as a FAQ have been created to help address common industry questions. A webinar, “Digital Video Metrics Modernized,” was conducted on April 25..

From the Digital Video Committee and the Ad Tech Council, an **Emerging Technology Focus Group** was formed, dedicated to the evolving landscape and emerging technical challenges associated with digital video ad delivery. This collaboration will assess needs and explore new workflows and applications of V-Suite specifications (VAST, VPAID and VMAP), mechanisms for video ad delivery to non-traditional digital platforms and devices like connected TV’s, as

well as server-side vs. client side ad insertion methods known commonly as “ad stitching.” In a similar vein, representatives from this group are beginning conversations with the Society of Cable Telecommunications Engineers (SCTE) on a potential partnership to make the IAB VAST spec function in VOD environments.

On April 23, an exploratory **Advanced TV Advisory Group** held a kickoff meeting to outline issues specific to “television” content and advertising being bought, sold, and served in digital environments. Led by Chris Falkner of NBCU and Adam Lowy of DISH, this cross-industry group comprises representatives from cable MSOs, over-the-top television (OTT) companies, consumer electronics manufacturers, content creators/owners, distribution platforms, measurement companies, and ad agencies. Key issues coming out of the kickoff were measurement and metrics, ad formats, ad delivery, addressability and validation, interoperability issues, and buyer education. This group will remain an exploratory subgroup under the Digital Video Committee until key initiatives and next steps are delineated.

Additional focal areas for the Digital Video Committee in 2014 include mobile video, video viewability, and programmatic video.

Building on the success of the Programmatic Publishers Task Force, IAB officially launched a brand new **Programmatic Council** at the end of February with a Town Hall event. The council aims to bring together publishers, buyers, and ad technology providers to discuss the key business issues in the evolving programmatic marketplace. The focus of this council will be to identify and tackle what is working and what can be improved to make programmatic work more effectively. The council is the successor to the **Networks and Exchanges Committee** and will initially focus on five key issues with working groups leading each of these areas: Transparency; Marketplace Education; Standardization of Terminology; Making Programmatic Work for Brands; and Mobile Programmatic.

The council’s In-Image Advertising Taskforce published an “In-Image Advertising Primer” which offers a comprehensive overview of this burgeoning ad type, often leveraged in native advertising campaigns. The primer examines the power of pictures to attract the reader’s eye and

draw attention to marketing messages, and how publishers can monetize the valuable real estate of in-stream images.

The council hosted several town halls during the quarter, with more than 100 attendees at each, demonstrating our member's interest in programmatic topics. In March, the Programmatic Council joined with the Digital Video Committee to host a "Town Hall on Programmatic Video," with speakers from agencies and publishers, sponsored by LiveRail. In April, the Performance Committee and Programmatic Council jointly held a Town Hall discussion focused on making the next generation of retargeting smarter. IAB hosted a "Programmatic 101" webinar for direct sellers attended by over 500 members, with three publisher members (Time Inc, Monster, and MailOnline) sharing their expertise.

The **Multicultural Council** is focused on two objectives: making the case for the value of multicultural audiences for publishers and brands to the wider digital community, and promoting IAB's digital agenda to traditional multicultural publishers and brands. To achieve these aims, the council held detailed discussions with key measurement vendors with the goal of understanding their approach in measuring multicultural audiences and giving members the opportunity to provide feedback and suggestions for improving their methodologies. In addition, for the second year running, IAB programmed the digital sessions at the annual conference of the AHAA, (the leading Hispanic association, in April. IAB curated and moderated two panels at the conference, involving eight IAB member companies. The first session focused on understanding and reaching Hispanic audiences through digital media at the upcoming World Cup in Brazil, with speakers from Briabe Mobile, ESPN, Facebook, and Terra Networks. The second session focused on programmatic, data and Hispanic audiences, and included speakers from Condé Nast, Huddled Masses, Mindshare, and Orange Advertising Network. Both events were a success with standing-room-only attendance.

Advertising in games is a hot topic that is attracting increasing notice from brand advertisers. As part of the **Games Committee's** goal to educate the market on the value and scale of games as an advertising medium, the committee was represented at two major industry events: In

February, for Social Media Week – NY, Electronic Arts, Microsoft, Mindshare, Twitch and Zynga participated in an IAB panel titled “The Intrinsic Nature of Games as Social Entertainment.” In March, for the second year in a row, the Games Committee was represented at SXSW Interactive with a panel titled “Why Content + Scale = A Win for Game Advertising,” which was moderated by IAB’s Susan Borst with Electronic Arts, MrY and Nielsen on the panel. IAB MIXX game winner videos were showcased. The quarter ended with a joint town hall with the Mobile Committee, hosted by Zynga in San Francisco, titled “The Future of Mobile Games.” IDC provided an overview of game play and advertising, followed by a panel moderated by Twitch with inMobi, MediaBrix, TreSensa and Vungle. A blog post from Games Committee co-chair Kym Nelson of Twitch, summarizing the event, was published in April.

The **Digital Audio Committee** sees the digital audio industry facing two major growth challenges: measurement and delivering scalable ads. The Digital Audio Ad Serving Template Working Group is finalizing a vital ad delivery standard that will allow audio ads to be served across an array of players. This specification is called the Digital Audio Ad Serving Template (DAAST) and is using the well-established Video Ad Serving Template (VAST) 3.0 as a roadmap. Once this foundational spec work is complete and implemented in the marketplace, media buyers will be able to run digital audio ads easily in a manner consistent with how all digital ads are served, tracked, and optimized. Simultaneously, the committee is working to define an audio impression in conjunction with the MRC. The DAAST standard has a targeted release of early fall.

Building Brands Digitally

IAB wants brand advertisers to embrace the new digital media mix enthusiastically. The prevailing narrative has moved decidedly past “digital doesn’t work for brands,” as evidenced by many major brand marketers touting their digital investment in year-end earnings reports to Wall Street. However, a still-too-common refrain is, “It’s disproportionately difficult to do brand advertising online.” The challenge of measuring, executing at scale, and building great creative is

causing under-investment in digital and, almost as bad, under-use of the medium’s capabilities, which leads to low-value campaigns emphasizing reach over high-impact campaigns focused on changing consumer attitudes and behaviors. IAB is helping our members assist brands through programs designed to make it easier for brands to buy, create, deploy, and measure engaging digital advertising.

The **Rising Stars** program, designed to offer brand marketers canvasses across screens that enable creativity at scale, reached a key milestone when, at the 2014 Annual Leadership meeting, the Digital Video Rising Stars were added to the IAB Standard Ad Unit Portfolio. This marked the completion of an intense, multi-year process of rapid innovation. The portfolio is now 70% new, with over half of the legacy units retired and replaced with new formats designed to allow for rich interaction “on the page” in display, mobile, and digital video. Now that this phase of innovation is complete, we will launch a **Rising Stars Benchmarking study** in the second quarter to measure publisher adoption and impact.

During the first quarter, we added to the growing body of IAB Rising Stars research, publishing the final results of the **Mobile Rising Stars ad effectiveness** study as well as a survey of **Digital Video Rising Stars effectiveness** evidence. The mobile findings mirror those of display, showing that consumers are twice as likely to interact with a Mobile Rising Star ad as a standard mobile ad, and have significantly higher brand perceptions after interacting with a Mobile Rising Star ad. The digital video data shows interaction rates over three times higher, significant increases in brand lift, and found that adding interactivity to video ads meaningfully improves completion rates. The cumulative effect of the four pieces of Rising Stars research is a growing recognition of the effectiveness of these ad units, as evidenced by eMarketer’s April report “IAB Rising Stars Ads Outperform Standard Banners,” complete with charts culled from IAB primary research.

While we are pleased with the evolution of the standard ad unit portfolio, that new portfolio must keep pace with the expectations of consumers for ad experiences as natural and meaningful as the content they expect and enjoy in the digital realm. **Rising Stars NEXT** is working to solve the new challenge—determining what’s next for IAB Standards in a world where content is fluid across screens. Leading this effort is the newly formed **Ad Products Advisory Board**,

comprised of buy- and sell-side executives who drive meaningful ad experiences as heads of ad products and/or ad content at member companies and agencies. This board will influence the industry broadly, including, for example, the ad product work of the **Native Advertising Task Force** and **Programmatic for Brands Working Group**.

Moving Mobile Mainstream

With 2013 **U.S. mobile ad revenue of \$7.1B**—110% growth over 2012 the **IAB Mobile Marketing Center of Excellence** continues its emphasis on projects and initiatives to educate marketers and agencies, make mobile easier to buy, sell and measure, and otherwise make mobile an increasingly mainstream part of the media landscape. Further underscoring media industry interest in mobile, IAB's 2014 **Mobile Marketplace Conference**, held on April 7, sold out and became IAB's largest single-day event ever.

In April 2014, the Mobile Center, under Vice President for Mobile Anna Bager, achieved a milestone of 50 member companies contributing to its finances and leadership. Interest in membership is increasing as we execute against the Mobile Center's agenda of research, thought leadership, and industry-defining projects for 2014.

On May 5 and 6, members of the Mobile Center traveled to Washington, D.C. for the **third annual Mobile Fly-in**. On day one, IAB was the arch sponsor of the Congressional Internet Caucus Advisory Committee's State of the Net – Wireless meeting. Board members of the Mobile Center were panelists at the event. The conference was widely attended by congressional staff and key industry policy representatives.

The following day, members of the Mobile Center convened on Capitol Hill to advocate on behalf of the mobile marketing industry. Members met with the U.S. Senate Judiciary Committee's Counsels to discuss S. 2171, the Location Privacy Protection Act sponsored by Senator Al Franken (D-MN), and with members of the House Privacy Working Group to discuss

mobile self-regulation and privacy. The Working Group includes: Rep. Marsha Blackburn (R-TN), Rep. Peter Welch (D-VT), Reps. Joe Barton (R-TX), Pete Olson (R-TX), Mike Pompeo (R-KS), Janice Schakowsky (D-IL), Bobby Rush (D-IL), and Jerry McNerney (D-CA).

The Mobile Center has also organized several additional industry events, furthering our mission of educating the marketplace about the power of mobile advertising:

- On April 1, a joint Mobile Center/Sales Executive Council Town Hall was held focused on "Who Buys What, Where and How?" The meeting was packed and featured several leading buy-side executives as well as experts from the publisher side, who explored and illuminated the current state of cross-screen buying and selling.
- On April 22, a round table conversation was held at the IAB Ad Lab titled "Dispatches from the Leading Edge of Mobile Creative," which featured an update on the IAB Mobile Rising Stars ad units as well as specific examples of creative executions that push the envelope for engaging and effective mobile advertising.

Other event highlights include:

- A Town Hall in San Francisco on the State of Mobile and Cross-Media Audience Measurement, looking at the current science of mobile metrics and identifying how the industry can deliver more reliable data to buyers and sellers of advertising.
- A second annual #Mobilecultural Conversation event on mobile and multicultural audiences held in conjunction with Social Media Week
- A Town Hall in San Francisco on The Future of Mobile Games with the IAB Games Committee

Continuing the **Make Mobile Work** initiative, a program that aims to foster adoption of HTML5 and the facilitation of cross-screen creative campaigns, we hosted the first quarterly Make Mobile Work webinar. This event featured presentations from IAB (Joe Laszlo), AOL (Cory Hudson) and Google (Katie Erbs). Combining the marketing resources of the IAB, 4As and ANA, more than 400 people registered to attend this webinar, all of whom received the presentation decks, a one sheet on Make Mobile Work, and an HTML5 research study from

Google. Moreover the webinar attracted more than 230 views after the event, making it IAB's second-most-viewed webinar.

To further promote the webinar and the initiative, the Mobile Center posting a reaction to the event along with new case study research on the IAB blog. IAB's monthly ClickZ column was also used to raise awareness of Make Mobile Work. The second webinar in the series will take place on May 13. Already more than 460 people have registered to attend the event.

The Digital Advertising Alliance (DAA) issued detailed guidance, entitled “**Ad Marker Implementation Guidelines for Mobile,**” at the IAB Mobile Marketplace. This guidance details how notice and the DAA Icon should be displayed and used on mobile platforms and touchscreens. For consumers, this means that the icon they know as a symbol of transparency and choice on desktops and laptops will be consistently displayed on their smartphones and tablets. For the advertising ecosystem, the announcement standardizes the provision of the DAA Icon, which enables the presentation of information relevant to the use and collection of data as prescribed by the DAA Principles. These Guidelines represent the next major step of the DAA program into the mobile environment; building on a process that began last July when the DAA directed all interest-based advertisers on how to implement DAA self-regulatory principles in mobile environments.

The Mobile Center's MRAID Working Group has continued its efforts to ensure that the IAB MRAID standard fulfills its mission of enabling in-app mobile rich media ad creative that scales easily across publishers. In April, the group released a first set of **MRAID Best Practices**, guidance for creative designers and vendors supporting MRAID. The group has also released a preliminary version of a new objective compliance test for MRAID v2. This test will ensure that companies that claim their SDKs or apps are MRAID-compliant have correctly implemented all the features of the MRAID spec, ensuring greater consistency for the industry.

The Mobile Center has also released several research and educational documents. At the IAB Mobile Marketplace preliminary findings were unveiled from an ethnographic research project

(undertaken jointly with Univision) looking closely at the role mobile phones play in the lives of US Hispanic Millennials. This demographic group is among the first “mobile first” generations, and their attitudes and emotions toward their mobile devices are an important leading indicator of broader cultural trends to come.

The Local Committee released the whitepaper, “**Mobile Location Use Cases and Case Studies,**” in March. This paper, which was released via an IABlog post and aggressive social promotion, offers the industry a guide on how to leverage location data in mobile campaigns with tangible case-study examples and metrics.

Finally, near the time of the Oscars, the Mobile Center released a joint research project with Mobile Board Member InMobi looking at **mobile’s role in the process of selecting a movie and purchasing tickets**. The insights from this piece include a look at mobile propensity by demographic as well as by movie genre.

IAB Operations: Expanding the Influence

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

Membership Services and Growth

With **15 new General and 28 new Associate Members** joining since February, our current total General and Associate Membership is **587 strong**, without counting company subsidiary members. Notable new members include Financial Times, RMG Networks, Lonely Planet, Havas, Sonobi, and XUMO. The Long Tail Alliance now includes more than 1,140 members and looks forward to a robust DC Fly-In in June.

Member Type	Organization Name
General	Adversal.com
General	Bidtellect
General	Ebuzzing
General	engage:BDR
General	Financial Times
General	First Look Media
General	GasBuddy.com
General	Lonely Planet
General	Nexstar Digital
General	RMG Networks
General	SK Planet
General	StartApp
General	SupersonicAds
General	The Taunton Press
General	URX
Associate	Adaptive Audience
Associate	Adaptive Media
Associate	Adbase

Associate	Adcade
Associate	Are You a Human
Associate	Bounce.IO
Associate	D&B
Associate	Distil Networks
Associate	DistroScale
Associate	Essence
Associate	Fetch
Associate	Fraudlogix
Associate	Fred & Associates
Associate	Futuresmedia
Associate	Havas Media
Associate	Haystagg
Associate	Huddled Masses
Associate	Manage.com
Associate	NEC VUKUNET
Associate	Pixability
Associate	PowerLinks Media
Associate	S4M USA

Associate	Social Reality
Associate	Sonobi
Associate	The Exchange Lab
Associate	Vistar Media
Associate	XUMO
Associate	Zentrack

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

Public Policy

As the United States Congress and state legislatures enter the busy Spring session, IAB has ramped up its direct lobbying efforts at all levels. Over the past several months, **the IAB Political Action Committee** has taken action to support key elected officials who have traditionally championed the digital advertising industry. We have hosted several fundraising events, leveraging the fundraising blitz coming out of the last IAB Board meeting. This political leverage will be key as the Public Policy Office focuses on several major legislative initiatives. First, Senator John McCain is leading a bipartisan investigation into privacy and security issues related to digital advertising, with an emphasis on the proliferation of malvertising on publisher sites. IAB secured a witness slot for the May 15th hearing in the Senate Permanent Subcommittee on Investigations, which McCain chairs. The Trustworthy Digital Supply Chain Project will be key to presenting industry's response to these difficult questions.

Second, IAB is leading a multi-industry effort to eliminate provisions in a package of bills in the U.S. House of Representatives that would establish for the first time criminal liability for publishers and third party intermediaries that may happen to display or deliver advertisements for certain criminal activities. These ads almost always use subtle codes developed by the criminal underworld and would be difficult, if not impossible, for IAB members to detect.

Finally, the issue of “Big Data” continues to drive the debate in Washington, DC. IAB organized a meeting between a diverse group of digital advertising companies and the **White House’s Big Data and Privacy Working Group** on March 13th. We helped formulate the Working Group’s scope of inquiry to focus on actual consumer harms rather than a set of largely hypothetical concerns surrounding marketing databases.

California continues to present a major regulatory threat to the digital advertising industry. Several State bills and public initiatives would severely limit the way our industry is able to collect use data. In response to this ongoing threat, IAB has invested in the creation of a **California office. Based in San Francisco**, and staffed by IAB’s lead state lobbyist, the new office will provide our industry a major advocacy platform for the industry. Coupled with a major communications and grassroots program funded jointly by the 4As, ANA, and IAB, we hope to regain the upper hand in California by bringing our voice to key decisions makers and delivering the same positive self-regulatory and economic growth agenda that has proven so successful in Washington, DC.

There continue to be a number of regulatory priorities at the federal and international levels. IAB is representing the industry before the **Department of Commerce** as it attempts to establish rules governing the use of facial recognition technology. We have developed an initial set of use cases in consultation with our members to refocus the group’s work on legitimate consumer concerns. On the international front, IAB is working with a number of European IABs on a set of shared global trade principles. We will be presenting the U.S. position at **IAB Europe’s Interact Conference** on May 20th.

Publisher Training and Development

As the IAB Certification program approaches its two-year anniversary, we reached a significant milestone in April, recording the 3000th applicant for the **Digital Media Sales and the Digital Ad Operations Certifications**. Attention is now focused on recertification efforts, as the first batch of certification holders prepare to renew their credential. They can recertify either by re-taking the exam (with all new questions) or demonstrating on-going professional growth by earning Continuing Education credits.

IAB has also launched a continuing education program that capitalizes on our members' knowledge and expertise in a variety of areas. Called IAB University, the program is creating a member-based "faculty" that provides no-cost and low-cost learning opportunities at the IAB Ad Lab, and at members' own offices. IAB events, webinars, and Town Hall meetings also qualify for Continuing Education Units and provide an easy path towards recertification.

IAB has submitted its accreditation application to the American National Standards Institute (ANSI). Accreditation will demonstrate achievement of the highest standards of professionalism, ethics and credibility for the Digital Media Sales and Digital Media Ad Operations Certification programs. Following an on-site audit later this spring, a final decision on accreditation is expected this summer.

Responding to the requests of its members, IAB is developing a number of web-based and in-classroom training programs, using committee and council members as subject matter experts. A fundamentals and an **Advanced Programmatic class** will be offered in June. Soon to follow will be modules in Native Advertising and Content Marketing, and Mobile Advertising.

Also under development is a new professional development program for data specialists—targeting everyone from data analysts to chief data officers. The program will launch later this year.

IAB has launched its **“Train the Trainer” program** to prepare candidates for the Sales Certification exam. To date Condé Nast, The New York Times, and American City Business Journals have participated in the program.

Meeting the needs for professional development and certification programs around the world, IAB Digital Media Sales Certification has been growing internationally and is actively being marketed by IABs in Mexico, Brazil, Colombia, Chile, Ecuador, Peru, Argentina, Singapore, Ireland, Romania, Hungary and Croatia. In an effort to speed worldwide adoption of the IAB Certification program we are revising the public policy section of the exam to reflect global regulatory and privacy issues and concerns.

Research

Led by Sherrill Mane and Research Director Kristina Sruoginis, IAB created a robust research program around digital video timed to coincide with the NewFronts and designed to enhance marketplace understanding of the consumer and the value of digital video to advertisers. The program consists of three original IAB studies. The first, conducted on our behalf by Advertiser Perceptions, entitled **“Digital Content NewFronts Video Ad Spend Study,”** quantified the momentum in the video market among agencies and advertisers. Within just 3-5 years, the buy side anticipates that original digital video will be as important to their businesses as TV. Additionally, 65% of advertisers anticipate increasing their spend on digital video. While much of the money coming into digital video will shift out of TV, 48% of respondents said they anticipate that new spend will come from increased marketing budgets.

The second IAB study released during the NewFronts, produced by GfK and entitled **“2014 Original Digital Video Study,”** examines consumers’ attitudes, awareness, and usage of original digital video, other digital video and television. It found Americans are increasingly embracing original digital video with viewers preferring that type of content to news, sports, and daytime programming on television, and liking it almost as much as they do primetime TV. This study overcomes limitations in syndicated measurement of title-specific digital video and is thus the

only study that measures monthly viewership of professionally produced original digital video as a separate content category. This is the second year of this study, and shows viewing is up 15% with 52 million American adults watching/streaming in a typical month.

The third original IAB study surveys NewFronts attendees and examines the perceptions of the events and their value from the buy side. Results will be available this summer.

In addition, IAB Research hosted the **NewFronts Insights Lunch**, which provided an opportunity for members involved in digital video to present new research to a large and influential audience. Held on May 7 to a packed IAB AdLab audience, the lunch covered a diverse range of digital video related topics from share shift to connected TV viewing.

The **IAB Digital Usage Trend Report: 2013 Year in Review** was released, providing a comprehensive overview of consumers' digital usage across the internet. In a first, time spent accessing the internet on mobile devices exceeded internet time spent on computers, causing the first-ever downtrend of time spent on the internet on computers. Streaming video and video ads showed explosive growth in 2013. By the end of 2013, time spent viewing video ads had tripled from Jan., accounting for 6% of all time spent streaming videos.

Using IAB's Hear Watch Say online community and an Ipsos omnibus survey representative of U.S. general population, the **IAB Ad Blocking Study** set out to benchmark how many consumers are using ad blocking and who they are. Thirty-one percent of Americans over 18 use ad blockers, and they tend to be younger males. The study further examined reasons for using ad blocking, attitudes towards advertising in general and whether certain types of sites or messages succeed in getting them to turn off their ad blockers.

The **IAB Multiscreeners Report**, created by Kristina and released in mid-May, shows that nearly half of US adults regularly go online while watching TV. Yet, despite this media multi-tasking, TV and digital ads breakthrough and influence these consumers' purchases more than

the general population. Both media trigger multiscreeners' online searches, which in turn have more influence over multiscreeners' purchases than the general population. They're also more likely to be influenced by sponsored search results.

To create a nimble, responsive core group of senior research leaders at key IAB member companies, the **Research Council Advisory Board** was formed to guide the Research Council's strategy throughout 2014. Key industry issues that the Research Council Advisory Board will address will be education on demographic and data segment guarantees, viewability, the impact of the supply chain on measurement, and data quality.

International

The international team, led by EVP & CMO David Doty Senior Director of International Alexandra Salomon, has a focus that can be summarized into the following goals, which aim to further the IAB overall mission and priorities globally:

- Licensing and expansion of IAB brand globally
- Thought leadership and public policy
- Global shared revenue opportunities

With the recent addition of IAB China and IAB South Africa, the **IAB Global Network** is now 43 countries strong, across 6 continents. IAB Europe announced the appointment of Townsend Feehan as Chief Executive Officer. She joins the organization with over 20 years in the industry, most recently at Microsoft Legal and Corporate Affairs EMEA, in Brussels. Her unique blend of policy and association management experience is exactly what IAB Europe needs as digital advertising in Europe faces its next phase of growth and challenges.

IAB UK released a set of **UK Viewable Impressions** standards in April to offer guidance and greater accountability for advertisers, coinciding with the guidelines released in the US. These mirror guidelines follow extensive collaboration between IAB UK and IAB US to agree common transatlantic standards and ensure consistency across both markets.

IAB Europe is leading discussions and analysis across Europe to evaluate brand advertising metrics and viewable impressions within its Brand Advertising Initiative, to provide advertisers with a reliable and trusted toolkit as well as to establish priorities for measurement within the IAB Europe Brand Advertising Framework.

Delivering the IAB core messages around the world, I spoke about the future of digital advertising at the **IAB Colombia** annual event in Bogotá, and David Doty joined the **IAB team in Oslo** for Gulltaggen, the largest event in Norway and the Nordic countries within digital marketing, communication, innovation, leadership and creativity.

In **Japan**, IAB has been working in close collaboration with D.A. Consortium for nearly a year. As strong advocates for IAB standards and guidelines, DAC with the participation of CCI, the largest digital player in Japan and part of the Dentsu family, launched IAB Mobile Rising Stars last fall and are now planning to leverage the IAB Rising Stars process with the goal of identifying additional Japan-specific implementations. DAC also recently translated and published a second IAB whitepaper, "Privacy and Tracking in a Post-Cookie World." IAB is also in discussions with the Japanese Interactive Advertising Association (JIAA) to build a mutually beneficial relationship.

In conjunction with 10 other IABs from around the world (Australia, Brazil, China, Colombia, France, Ireland, Italy, Japan, Mexico, UK and US), IAB seeks to compare and contrast the role of mobile in the lives of consumers who will be watching the FIFA World Cup in these different countries. The **2014 Global Mobile World Cup survey** is well underway and will be ready to be released in early June, before the first World Cup first game.

We are also excited to be kicking off a new research project, "Going Global," in partnership with Winterberry Group, a New York-based research and consulting and research firm.

This global research and white paper initiative is focused on benchmarking the opportunity available to publishers and marketers to "Go Global" in their audience development efforts. The plan is explore the current opportunity for data-driven audience development across 12 markets in each of three representative regions: the Americas, Asia-Pacific and EMEA, and later this

year publish the findings in a white paper: **Going Global—The Cross-Border Audience Opportunity.**

Events

IAB Events continue to be a convening platform for industry thought leadership as well as a healthy revenue source for the organization. 2014 is off to a strong start with both events in the first half setting record revenue and attendance goals.

The **IAB Annual Leadership Meeting** in Palm Springs saw over 1000 attendees, a 28% increase over 2013's attendance. The Annual has also, this year, become the events business's greatest source of revenue, generating \$2.75 million in gross profit, a 30% increase over 2013.

The **IAB Mobile Marketplace** also saw 500 registrants and generated \$420K in revenue, a 22% and 15% year over year increase, respectively, from 2013. The conference was IAB's largest single-day event ever.

The events team has also made several key hires and promoted Virginia Rollet Moore to Head, Events. In this new role she'll be overseeing events across the IAB organization. In-person gatherings have become IAB's most vibrant platforms to educate the marketplace as well as to provide networking and business development opportunities for members and their clients. In 2014, IAB is projected to hold over 100 events, in markets all across the United States. In her new role, Virginia will be tasked in bringing the same seamless attendee and sponsor experience to all of them, as well apply the same financial rigor around costs and margin that has led to the fiscal health of the events business.

Marketing

Under the leadership of David Doty, Marketing Senior Director Chris Glushko, and Public Relations Consultant Laura Goldberg, IAB Marketing took a proactive role in creating a higher

profile for IAB work 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.

Marketing 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 generated buzz with a five-part IAblog series featuring NewFronts presenters, and created a NewFronts Center consisting of photos, press coverage, and a real-time social media conversation tracker. Traffic to the center was driven through a coordinated social strategy focusing on the hashtag #NewFronts. To date, the **IAB.net NewFronts Center** has received more than 53,600 page views, and the #NewFronts hashtag has garnered more than 20.5 million impressions on Twitter, reaching 10.3 million users. The team’s press strategy around the event, including my byline in Adweek entitled “Marketers Must Embrace the Transition Into the Post-Television World,” 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*, *Bloomberg Businessweek*, *Fast Company*, *Los Angeles Times*, *New York Post* *New York Times*, *USA Today* and *Wall Street Journal*. And for the first time, Marketing developed a NewFronts mobile app to help attendees build schedules, follow the social media buzz and navigate from show to show.

In March, on the mission to encourage and influence leading agency creatives, media professionals, and brand marketers to engage with publishers, technologists, and venture capital firms, marketing brought 24 brand marketers and IAB Agency Advisory Board members to the West Coast for the **Madison Avenue Meets Silicon Valley** tour. During the trip, the group met with Facebook, Pinterest, Twitter, Kleiner Perkins, Salesforce, Comcast Ventures, and took part in a discussion and dinner with angel investor Ron Conway. Kleiner Perkins brought out its most

important thought leaders, including Mary Meeker, as well as representatives from several of the companies in which it has invested—Flipboard, Shazam, InMobi, and Pixlee, all presenting their value propositions through short presentations. This trip will serve as a model for future bridge building in which IAB brings Silicon Valley to Madison Avenue and Silicon Alley later this year.

Building deeper, direct relationships with many agencies remained a top priority. In February, David Doty and Head of Brand Initiatives Peter Minnium presented key IAB messages to 32 senior and mid-level executives from UM. Through **agency presentations**, Doty and Minnium have now reached hundreds of leaders at 35 agencies. This program has driven deeper agency engagement with IAB initiatives as seen in conference attendance from visited agencies, uptick in IAB MIXX Awards submissions, Rising Stars adoption, requests for research participation, inquiries about membership, and interest in potential buy-side professional development and certification programs.

Marketing leveraged the **IAB Annual Leadership Meeting** as a platform to drive thought leadership and communicate IAB news throughout the industry. Eight press releases were released at the event, producing coverage in top-tier outlets such as *New York Times*, *Adweek*, *Advertising Age*, and *MediaPost*. In addition, 18 video clips from the stage and six thought leader interviews for **IABtv** were produced, garnering more than 6100 views. Daily coverage was communicated to IAB membership within hours of each day's general session closing. In total, Marketing drove more than 47,000 unique page views to Annual Leadership Meeting coverage on IAB.net. At the event, Marketing debuted "Faces of IAB," a new informational video highlighting IAB members. It tells the story of how IAB has evolved into a central hub for the digital industry and showcases the organization's scope and reach.

In support of the **Digital Media Sales Certification** and professional development programs, Marketing launched **IAB University** in conjunction with the learning team. In doing so, they created a central location for all things education on IAB.net. Leveraging a blog post by Michael Theodore, targeted email communication, social, and onsite marketing, IAB.U has garnered more than 2800 pages views since its launch on February 28.

Continuing their quest to make IAB initiatives more accessible to the broader industry, Marketing expanded content for **Digital Simplified**, a program designed to break down walls that often surround the complicated subject matter of the digital advertising industry. The team produced new videos and documents on the IAB Quality Assurance Guidelines, V-Suite, Online Traffic Fraud, and IAB Certification Programs. These subjects add to the growing library of digital simplified videos and documents about SafeFrame, Programmatic & Automation, Programmatic Transparency, Programmatic Sales Capabilities, and Mobile Cookies.

Average press stories per month for Q1 closed out at an 11% increase to 1,542, up from 1,388 in Q1 2013. At the time of writing this report, April is showing a monthly record high for press coverage with 2,673 stories. 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 my appearance on CNBC's Nightly Business Report and my byline entitled "IAB Head: 'The Digital Advertising Industry Must Stop Having Unprotected Sex'" published in *Business Insider*; coverage of the 2013 Full-Year IAB Internet Advertising Revenue Report in *The Wall Street Journal*, *Washington Post*, *CNET*, and *TechCrunch*; Patrick Dolan speaking on agency payment issues in *Ad Age*; Mike Zaneis named one of the influencers to watch ahead of the 2014 election in *Campaigns & Elections*; "Programmatic Everywhere? Data, Technology and the Future of Audience Engagement," featured as an exclusive in *Ad Age* with additional coverage in *MediaPost*, *AdExchanger Newsletter*, *Business Insider Newsletter*, *Folio Magazine*, *BtoB Online*, and *Digital Journal*; Digital Video In-Stream Ad Metric Definitions in *MediaPost*, *Streaming Media*, *ReelSEO* and *Marketing Land*; and the In-image Advertising Primer in *MediaPost*, *ClickZ*, and *WebProNews*.

Marketing's social media strategy drove record engagement across a number of platforms. **Twitter followers are at 49,588, up 47%** compared to March 2013. Follower growth from January-March 2014 reached 3,343. **Facebook are at 23,226, up 19%** compared to March 2013. LinkedIn continues to be a strong channel. **LinkedIn Group members are at 6,723, up 19%** from March 2013.

Marketing's strategy to make the **IABlog and IABtv** sources of thought leadership continues to result in increased engagement online. IABtv had its highest viewership ever for Q1, with 46,576 views, up 69% compared to the same period in 2013. During this time, seven of the top 10 most-viewed videos were about IAB Rising Stars. The other popular videos were "VAST Digital Simplified" and "Nick D'Aloisio & Randall Rothenberg" at ALM. Overall, IAB.net average monthly unique visitors were up 17% in Q1 2014 at 136,217, up from 116,476 in Q1 2013. Additionally, average monthly page views were up 5% in Q1 2014 at 352,865, up from 337,487 in Q1 2013.

Financial Management

Under the leadership of EVP & COO Patrick Dolan IAB finances started the year strong. According to first quarter financial results, **topline revenue of \$6.7 million** was a half-million dollars ahead of budget and \$1.3 million or 24% more than the same period in 2013. This was mainly due to the growth of dues revenues year-over-year and the record performance the IAB's Annual Leadership Meeting held in Palm Desert in February. Other programs, such as the Digital Sales and Ad Operations Certification and the Quality Assurance Guidelines program have all performed either on or above budget. We have also managed expenses, both our cost of services and expenses with their respective budgets, allowing the IAB to deliver net income for the first quarter of 2014 of \$922,000. It is early in the year and we are expecting to spend more in the later quarters of the year; however, we feel confident that the IAB is well positioned financially to deliver on its ambitious agenda for 2014.

Amid a media trade association landscape that continues to face challenges, I am pleased by IAB's relative strength and stability, and our ability to continue to deliver the value to our members. This would not be possible without the commitment from these companies, and especially from our Board of Directors. I again thank you for your support of this team and our efforts.

Respectfully submitted,

RANDALL ROTHENBERG

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



Randall Rothenberg

President & Chief Executive Officer.