



Randall Rothenberg
President & CEO
randall@iab.net

President's Report

“MY FIRST 90 DAYS”: REPORT TO THE INTERACTIVE ADVERTISING BUREAU'S BOARD OF DIRECTORS April 12, 2007

By Randall Rothenberg

It is an honor to welcome you, the directors of the Interactive Advertising Bureau, to the IAB's first Board of Directors meeting in 2007. It is an even greater honor to serve you, the men and women who are reinventing media and marketing for the 21st Century. In this, my first board meeting since becoming the IAB's President and CEO, I am pleased to report that our trade association is vital – and growing.

I have spent my first 90 days as your leader concentrating on five priorities: First, I have been meeting with and listening to the directors and other stakeholders in and around our industry to develop our Strategic Agenda.

Stakeholder Interviews, Part 1		
Board	Other Media Execs	Agencies
Jeremy Allaire, Brightcove	Joanne Bradford, MSN	Jim Warner, Avenue A/Razorfish
Tim Armstrong, Google	Mike Hurt, MSN	David Kenny, Digitas
Michael Barrett, Fox Interactive/MySpace	Mari Kim Novak, MSN	Rosemary Ryan, JWT
John Battelle, Federated Media	Betsy Frank, Time Inc.	Rob Scalea, JWT
Neil Ashe, CNET	Scott Schulman, Dow Jones	Mark Read, WPP
Bob Carrigan, IDG	Gordon McLeod, Dow Jones	Martin Sorrell, WPP
Eric Chandler, Verizon Superpages	Bill Katz, Visible World	Ann Fudge, chairman, Y&R Brands
Sarah Chubb, CondeNet	Greg Schwartz, Time Inc.	David Bell, former CEO, Interpublic
Joe Fiveash, Weather Channel	Jackie Leo, Readers Digest	Valerie Graves, Chief Creative Officer, Vigilante
Mitch Golub, Cars.com	Amy Krause, Readers Digest	Mike Hughes, President & Creative Director, The Martin Agency
Mike Hard, MSN	Beth Comstock, NBC Universal	Andrew Keller, Creative Director, Crispin, Porter + Bogusky
Dave Hills, Looksmart	Cammie Dunaway, Yahoo	Joyce King Thomas, Chief Creative Officer, McCann Erickson
Kathy Kayse, AOL	Eric Rayman, Que Pasa Corp.	Mark Tutssel, Global Chief Creative Officer, Leo Burnett
Rich Lefurgy, Archer Advisors	Ralph Guild, Interep	Brian Collins, executive creative director, Ogilvy & Mather Worldwide
Leon Levitt, Cox Newspapers	David Sacco, Google	Jane Hope, co-founder, Taxi
Dave Madden, Wild Tangent	Tad Smith, Reed Business	Neil Powell, Chief Creative Officer, Margeotes Fertitta Powell
Riley McDonough, WebMD	Krishan Bhatia, Comcast	Gary Koepke, chairman/creative director, Modernista
Scott McLernon, CBS.com	Bruce Gordon, Disney	Ellen Comley, executive vice president and managing director, MPG Arnold
Wenda Millard, Yahoo		John Montgomery, CEO, Mindshare
David Moore, 24/7 Real Networks		Dan Goodman, senior partner & managing director, OgilvyInteractive
Dave Morgan, Tacoda		Burtch Drake, AAAA
Peter Naylor, NBC Universal		Mike Donahue, AAAA
Martin Nisenholtz, New York Times Digital		
David Payne, CNN.com		
Lance Podell, Seevast		
Warren Schlichting, Comcast		
Jim Spanfeller, Forbes.com		
Greg Stuart, past President & CEO		
Steve Wadsworth, Disney		
Jeff Webber, USA Today		

Stakeholder Interviews, Part 2		
Influencers	Marketers	IAB Team
<p>Wilma Jordan, CEO, Jordan Edmiston Group</p> <p>Tolman Geffs, managing director, JEGI</p> <p>Bill Hitzig, COO, JEGI</p> <p>Scott Peters, managing director, JEGI</p> <p>Gordon Hughes, American Business Media</p> <p>Steven Levy, Newsweek</p> <p>Esther Dyson</p> <p>David Kirkpatrick, Fortune</p> <p>Geoff Ramsey, eMarketer</p> <p>Jonah Bloom, Ad Age</p> <p>Scott Donaton, Ad Age</p> <p>Joe Plummer, ARF</p> <p>Taddy Hall, ARF</p> <p>Howard Shimmel, Senior Vice President, Client Insights, Nielsen Media Research</p> <p>Joe Mandese, editor-in-chief, MediaPost</p>	<p>Don Friedman, Computer Associates</p> <p>Jim Stengel, Global Marketing Officer, Procter & Gamble</p> <p>Bob Liodice, ANA</p> <p>Barbara Bacci-Mirque, ANA</p> <p>Thomas Haas, Chief Marketing Officer, Siemens Corp.</p> <p>Rebecca Johnson, Chief Marketing & Brand Officer, Brinker International</p> <p>Cie Nicholson, Senior Vice President and Chief Marketing Officer, Pepsi-Cola North America</p> <p>James Speros, Senior Vice President and Chief Marketing Officer, Marsh & McLennan Companies</p> <p>Jack Haber, vice president, e-business, Colgate-Palmolive Co.</p> <p>Marilyn Harvey, senior advertising manager, digital marketing, Vanguard</p> <p>Erik Hawkinson, e-marketing lead, Berlex</p>	<p>Sheryl Draizen</p> <p>Leo Scullin</p> <p>Jonathan Moore</p> <p>Andrew Kraft</p> <p>Bambi Kapp</p> <p>Mark Goldman</p> <p>Jeremy Fain</p>

Second, I have worked with our Board Executive Committee, Finance Committee, and senior staff to assure that the IAB is financially sound and its risks appropriately managed, so that we are capable of working in the industry's interests.

Third, I have worked with the staff to develop and begin implementation of the 2007 strategic program, which we are calling "The CMO Growth Project."

Fourth, I have reorganized the senior team around our new areas of focus: growth for our industry, through an emphasis on engagement, accountability, and operational effectiveness.

Fifth and finally, I have begun to rebuild IAB's capabilities to help our industry achieve its goals.

Make no mistake: This is a transformation program. Just as our member companies are transforming media and marketing, so is IAB transforming to aid you in your mission.

Finance

IAB's financial position is strong. We finished 2006 with a surplus of \$495,000, the result of better-than-projected new member acquisitions and an effective dues collection program. With the guidance of the Board's Finance Committee and the approval of the Executive Committee, we will invest that surplus in "The CMO Growth Project," about which you will hear more later on.

We continue to operate with a balance-sheet deficit -- a result of the advance-funding program instituted by the Board and Greg Stuart several years ago to assure operations during difficult times for our industry. As IAB Board Treasurer Bruce Gordon will soon report, that

balance sheet deficit has no impact on our operations and, under conservative financial projections, we anticipate its elimination by 2010.

We expect continued growth in 2007. During the first three months of 2007, IAB added 62 new members, most of them general members. These companies represent \$484,500 in new revenues to IAB. In number and in revenue, first quarter new-member acquisitions exceeded growth for the full year of 2006. Total membership now stands at 337 companies. On our current path, we will hit 400 members by the end of 2007 or shortly thereafter.

Consistent with the growth patterns of interactive media, our new members include some of the great brands of incumbent media, as well as dynamic new companies. We have welcomed these past few months AT&T, Martha Stewart Living Omnimedia, American Express Publishing, Cablevision, Harvard Business Review, and World Wrestling Entertainment – as well as Facebook, Friendster, Soapbox Mobile, and Cellfish Media.

New 2007 Members (62)

Company	Member Type	Company	Member Type
AdShuffle	Associate	Cellfish Media	General
ADTECH US	Associate	Emmis Interactive	General
Agency.com	Associate	Enpocket	General
Crisp Wireless	Associate	Facebook	General
Desilva	Associate	Friendster	General
E&Y	Associate	Greystripe	General
eTrafficJams	Associate	Harvard Business Review	General
Feeva	Associate	Hearst-Argyle	General
Geary Interactive	Associate	Internet Broadcasting (IBSYS)	General
Jordan Edmiston	Associate	Lexico	General
M.Metrics	Associate	Martha Stewart Living Omnimedia	General
Nielsen Buzzmetrics	Associate	MediaFLO	General
SEMDirector	Associate	Medio	General
SEMPO	Associate	Metacafe	General
Telephia	Associate	Millennial Media	General
The AMC Group	Associate	Mindset Media	General
Theorem	Associate	Motive	General
True North	Associate	NextAction	General
VisibleWorld	Associate	Nokia	General
>nbbc	General	Permission Data	General
Active Response	General	Publishers Group of America	General
Adify	General	PureVideo	General
Admob	General	Quattro Wireless	General
Advanstar	General	SearchDex	General
American Express Publishing	General	Soapbox Mobile	General
aQuantive	General	US Tennis Association	General
AT&T	General	Van Wagner	General
Autotrader.com	General	Verisign	General
Bonneville International	General	World Wrestling Entertainment	General
Booz Allen Hamilton	General	Yellowpages.com	General
Cablevision	General	Zanqo	General

Our staff is strong. Under the leadership of Sheryl Draizen, our Senior Vice President and General Manager, IAB's team of 20 staffers has engaged in a robust round of activities that emphasize and build on our strategic platforms. Let me describe some of these exciting activities and accomplishments.

Engagement

You will hear later of the strategic priority we are placing on reaching out senior stakeholders in the marketing and advertising industries, to showcase interactive media's unique ability to engage audiences with relevant information and entertainment. We have begun to execute against this priority in several ways.

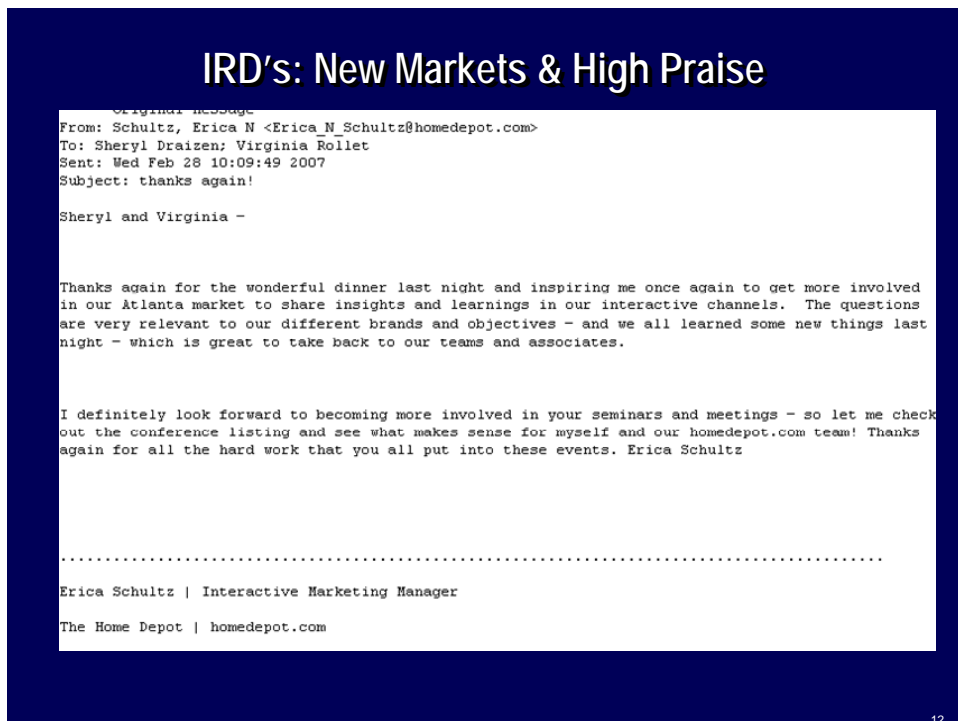
Earlier this year, IAB launched a special magazine supplement called **MIXX Magazine**, which is produced by and runs in the Adweek family of magazines – online and offline – as well as on IAB.net. The magazine will publish on a set frequency and each issue will feature a particular interactive sector and the corresponding IAB committee. Already in 2007, we have published two supplements, the first on Mobile, the second on Digital Video. These supplements are great opportunity to showcase the growth and promise of each sector and provide an opportunity for member companies to promote their own efforts as well as those of the sector as a whole. Copies are in your board packets.



IAB's events continue to build momentum. Our **Performance Marketing Leadership Forum**, held last month in Chicago, drew more than 320 registrants - a 25% increase from 2006. 27 presenters and 12 sponsoring companies came together to learn about the latest tools, technologies, techniques and analysis on performance marketing. Feedback was universally positive and Advertising Age ran a great story on our keynote presentation by Jeffrey Glueck, CMO of Travelocity.com.



Our **Innovators' Roundtable Dinners** have continued to expand, by number and by geography. These sponsored events bring marketers, agencies, and media together for networking and learning. We did 22 in 2006, and 31 are contracted around the country in 2007 – a 41% increase. We have conducted 9 so far this year, in New York, Chicago, Los Angeles, Washington, Atlanta, Dallas and Minneapolis – the latter a new market for us.



Because of the desire for greater inter- and intra-industry networking and sharing, we are introducing a series of low-cost dinners and cocktail parties during the year. We held our first of

these “**MIXXER’s**” on March 28 at the CTIA Wireless event in Orlando, and more than 20 member companies were represented. We will hold one-a-month beginning in May, at a charge of \$25 per person.

First MIXXer Networking Dinner Orlando, Fla., March 28, 2007

- ◆ “I really enjoyed it, and met a lot of very interesting and influential people. I’m proud to be part of the mobile industry and leading the charge with Ad-based content. I look forward to attending future events as the opportunity allows.”
 - *Chris Brozenick, Vice President & General Manager - Mobile, WeatherBug*
- ◆ “And thanks to you for dinner. It was great to see so many folks I knew and meet others. Great dinner and evening.”
 - *Michael Nappi, SVP Sales, NAVTEQ Traffic.com*
- ◆ “The evening ended up being exactly how I’m sure you all envisioned it: a good old fashion Schmooze fest. As your initial strategy slides indicated, bringing the industry together is an important part of your campaign. You’re certainly off to a good start by organizing these committee dinners. I sometimes find it difficult to give positive feedback that does not also include some kind of suggestion for how to make things better. Unfortunately, I do not have ideas for making last night’s dinner any better.”
 - *Mike Hurt, Director of Strategic Product Planning for MSN Digital Advertising Solutions, Microsoft*

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Finally, I continue to maintain a heavy schedule of **conferences appearances and speaking engagements**, on behalf of our industry and individual members. I anticipate at least two per month through 2007.

R2 Speaking Engagements – January-March 2007

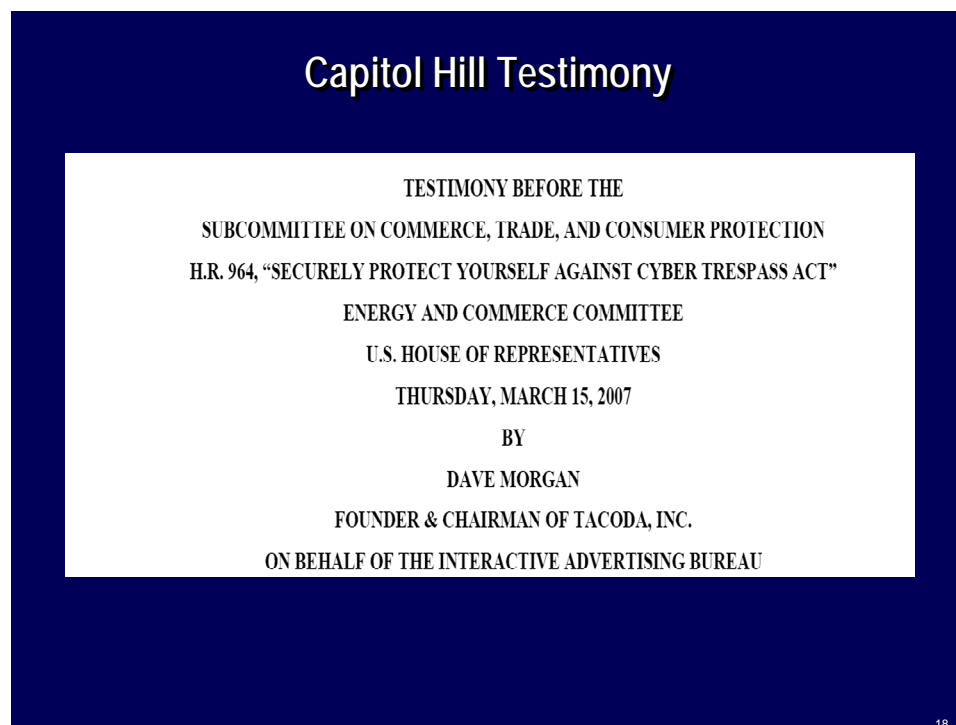
- ◆ 1/17/07: Dow Jones Sales Conference, “Future of Advertising”
- ◆ 1/17/07: Booz Allen Hamilton webinar, “Future of Advertising”
- ◆ 1/22/07: Burda Media Digital Life Conference, moderated panel “Disruptive Connections and Where is the Audience”
- ◆ 2/28/07: AAAA Media Conference (attendee)
- ◆ 3/6/07-3/8/07: Google AgencyThink Event, moderated panel “New Agency Economics: Agency exec Roundtable”
- ◆ 3/20/07: Dow Jones Web Ventures Conference, on panel “Clicking for Cash – The Outlook for Online Advertising”
- ◆ 3/29/07: Avenue A Razorfish Client Summit 2007 (attendee)
- ◆ 4/3/07: Padrao Editorial Modern Consumer Marketing Show, “Future of Advertising”

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Accountability

Our second strategic priority is Accountability. Accountability lies at the heart of the IAB's mission. We must continue to enhance trust among customers by establishing guidelines and highlighting practices that make interactive advertising's audience the most targetable and measurable among media. We have built on this platform during the first quarter of 2007.

The IAB's Measurement Council has promulgated and approved a set of **Rich Internet Application Measurement Guidelines**. These were presented to the 4A's Digital Marketing Committee on April 5th. A 30-day public comment period will follow.



We launched our **Public Policy Office** in Washington in February – and not a moment too soon. If there is anything that can impinge on the ability of interactive media to be targetable and measurable, it is ill-considered legislation and regulation that will impair our ability to use technology appropriately, and in consideration of users' privacy. Within weeks of opening, IAB had already hired a Washington counsel, and arranged for our organization to give its first testimony on Capitol Hill, in the hearings on the "Spyware" legislation recently reintroduced in Congress.

Mike Zaneis and Dave Morgan will tell you more a bit later.

I have worked very hard to strengthen relationships with trade associations for our customer and collaborative media organizations. I have held several meetings with Burtch Drake, Mike Donahue and Harold Geller of the 4A's, and I will be presenting at the 4A's Agency Management Conference next week in Naples.

I have had several meetings with Bob Liodice, Barbara Bacci-Mirque, and Bill Zengel at the Association of National Advertisers. With the 4A's, the ANA, and Booz Allen, IAB has launched a study called "The Media-Marketing Ecosystem, 2010," which will help operationalize some of our cross-media optimization research. We anticipate this study will result in major presentations at ANA, 4A's, and IAB conferences. Significantly, this research is costing us and our members nothing: Booz Allen is donating the research.

I am presenting at the Advertising Research Foundation's annual conference next week in New York, and we have agreed to help the ARF market its new "On-Line Playbook."

And significantly, we are boosting our relationship with the Online Publishers Association. We will coordinate our research, seek endorsement of each others' initiatives, and market each others' work as best we can – the better to show a united front for our industry to marketers, agencies, and policymakers.

Our committees and councils, through which members participate in and help establish the standards and guidelines that help grow our industry, engage more and more members each year. 1,010 people sit on at least one active committee or council. They represent 264 different companies – 79% of our member base. As busy as our industry is, it is invigorating to know that our executives and staff are committed to catapulting it into the future.

Operational Effectiveness

Our third strategic priority is operational effectiveness. We must take cost out of our supply chain, and make interactive media simpler to plan, buy, execute, measure, and adapt. This will take stronger relationships with agencies, third-party serving companies, and across functions in our own media companies. I've already described how we are enhancing cross-industry relations. Let me pinpoint some of our other important activities.

IAB's efforts to **develop creative standards** are becoming even more important as interactive advertising captures an ever-increasing share of marketing budgets. Here, our committees, under the leadership of Erica DeLorenzo, have been instrumental. The newly re-launched Ad Sizes Working Group met on February 14th, and expects to issue the first revision to the Ad Unit Guidelines. in the next 1-2 months. Also this quarter, the Mobile Committee approved an initiative to develop a universal ad package specifically for mobile advertising in an effort to reduce costs and inefficiencies associated with the planning, buying and creating of mobile media. The launch goal is the end of Q3.

The IAB's **Advertising Operations Council** has grown into one of the industry's strongest guidelines-setting and practice-leading bodies. In 2006, the Council formed several working groups, and progress is strong, as we learned at our Ad Ops Summit two weeks ago in New York. With guidance from Sheryl and Leo Scullin, it has been led energetically and ably by Jeremy Fain.

The Council's **Late Creative Working Group** developed a Creative Delivery Best Practices document for marketers, media & creative agencies, and publishers with the goal of using this document as a basis for setting policy and procedure within each company. The joint working group will now begin discussing optimal late creative policy options. We anticipate a release within the next several weeks.

The **E-Business Working Group** developed a standard dataset for IO and Invoices to decrease confusion caused by different information appearing on Insertion Orders and Invoices. This will allow agencies to quickly and easily match up IO and Invoice information to speed both reconciliation and payment.

The **Billing Processes Working Group** developed a perspectives-and-recommendations document around the struggle to get other parties' numbers accepted into agency and publisher systems. The top recommendation was for agencies and publishers to work quickly with third party ad servers to develop the capability to automatically compare publisher and agency counts in real-time.

Ad Ops Council: Member Praise

- ◆ "The two days of Ad Operations events last week just reinforced the IAB's reputation as the organization that can actually get things done."

– *Mike Stoeckel, Fox Interactive Media*

The Council's work with counterparts in agencies is advancing rapidly. The Ad Ops Council held its second **Agency Day** on March 28, at the Time Warner Center in New York. We had 18 representatives from 10 agencies, joining 26 executives from 13 member companies, in addition to representatives from the IAB and the 4A's, to help reinforce our need to work across the industry to assure efficient supply-chain operations. This ecosystem conclave followed an IAB-only meeting the day before, with representatives from AOL, Condnet, CNET, CNN, Fox, Microsoft, the New York Times, Univision, USAToday.com, Disney, Weather, and Yahoo.

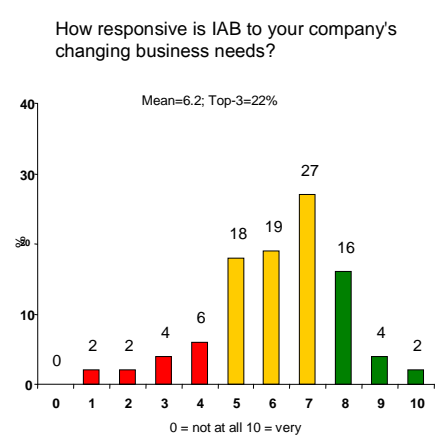
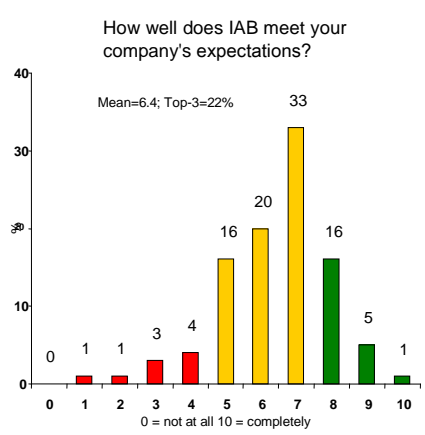
The Ad Ops Council has been so successful that we were encouraged to start an IAB **Sales Executive Council**, to increase best-practice development and sharing, and to enhance the effectiveness and reputation of interactive advertising sales. The response to this initiative has been overwhelming. 56 members have signed up. Allison Bodenmann, EVP National Advertising, WorldNow, spoke for many of them when she wrote us: "This is a great idea; as you know the biggest issue facing all of us today is finding sales people. So I congratulate the IAB for taking this on." Planned activities include a professional development curriculum, and possibly the establishment of an Interactive Advertising Salesperson of the Year honors program.

Staff & Capabilities

There is, naturally, much left to do, and we hope to discuss much of this with you today.

We conducted a **Member Satisfaction Survey** late last year, and the results were not bad – but not good, either. This 25 question survey was sent to 1850 member contacts in Nov/Dec 2006, and elicited 231 responses – a response rate of 12.5%. It indicated moderate satisfaction with IAB, but very little knowledge of our full range of activities.

IAB Meets Company Expectations and Responds to Changing Needs



Fewer than a quarter of all respondents said they were highly satisfied with how IAB meets their companies' expectations. Similarly, less than 25% said IAB is responsive to their companies' changing business needs.

We discovered a significant lack of awareness among members about our activities and their importance. Asked to identify IAB products, services or activities that are "most important" from a list of 29 options, fewer than a third cited such vital activities as measurement certification and our MIXX Conference and Expo. Only 13% mentioned our Innovators Roundtable Dinners, despite the praise and turnout I cited earlier.

IAB Products & Services - Importance

Indicates the % of respondents who selected that particular product /service as one their top five in importance

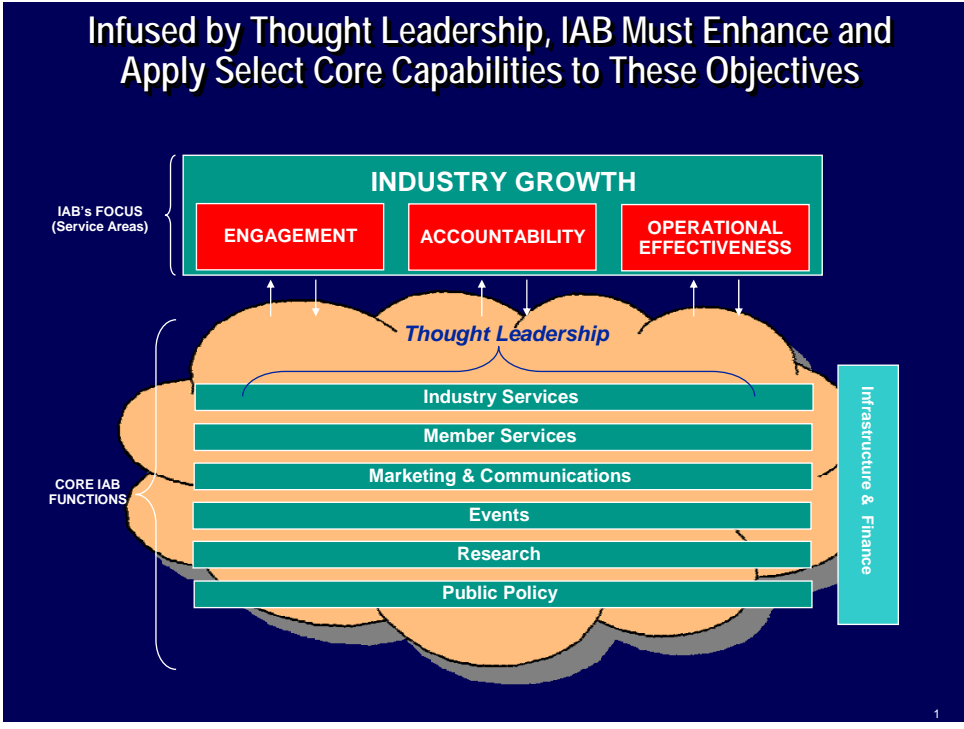
Product & Service	%
Participation in IAB committees, councils and taskforces	48
SmartBrief	40
Measurement Guidelines	39
Creative Ad Unit Guidelines	38
Research & studies around effectiveness	35
Research & Resource Library	34
Measurement Certification	32
Industry Simplification Efforts	31
Industry Outreach & Education	26
Website	25
Ad Operations Summit	25
Leadership Forums	25
MIXX Conference & Expo	24
Press releases	21
The Informer	19

Product & Service	%
Standards compliance seals	19
Event alert emails	18
Annual Meeting	17
Promotion of your company in IAB materials	17
Advertising & sponsorship opportunities	15
AdEx	14
Membership Directory	14
Innovator Roundtable Dinners	13
Research sponsorship opportunities	13
Spiders & Bots List	11
Members' ability to vote on key issues	10
Board of Director seat	9
Discounts on IAB event, sponsorships, products & research	8
MCS	6



My interpretation of this survey – and the feedback I have received from you and other stakeholders – is that, for all our goodwill, IAB has been too slow and too silent on too many issues of importance to our industry. I believe we have played too much to a core group of insiders – the “digital natives” inside marketing organizations, agencies, and our own media companies. We need to reach out more to “digital immigrants” to build awareness, make new converts, and grow our marketplace. There is great opportunity for IAB – but we must organize to grab it.

To this end, I have reorganized the staff to promote greater productivity and a redoubled emphasis on our strategic priorities. This is a necessary part of our overall transformation.



In accordance with our bylaws, I sought and received Executive Committee approval to add a second Senior Vice President to our team. **David Doty** has joined us from Booz Allen, where he directed marketing, to oversee three of our critical portfolios: Marketing, Thought Leadership, and Research. This senior position reflects the centrality of communications to the IAB and the interactive industry. CMO's and senior stakeholders are now paying deep attention to us; we need an ability to talk to the marketplace at large.

David is here today, and we welcome him to our fold.



We attracted **Mike Zaneis** to become IAB's first Vice President of Public Policy. Mike comes to us from the U.S. Chamber of Commerce, where he directed telecommunications policy. His start has been fast and effective. You already have heard some of our accomplishments in public policy. You will hear more from Mike and Dave Morgan later on – and help them set their agenda for the rest of the year.

Mike, we welcome you to our team, too.

Other senior team members have been repositioned and advanced. Our superb new-member acquisitions record is due to relentless outreach by **Andrew Kraft**. In recognition of his superior salesmanship and his relationships with members, I have asked Andrew to take a new position, Vice President of Member Services & Revenue Development. Andrew will take charge of building a much-needed Member Services capability in IAB, and assure that sales and service are aligned in our organization.

Jonathan Moore, our Vice President of Events, leads the energetic four-person squad responsible for the growth in our Leadership Forums' and IRDs' attendance. Working with Andrew and with David, Jonathan's team will drive even more attendance – and, we anticipate, revenues – from our events and professional development businesses in 2007.

Sheryl Draizen is a strong and effective leader – so effective that I have asked her to take over program management of our work in standards, guidelines and practices development, on top of her tasks as General Manager and my Chief of Staff. Her shift into this position already has enhanced our activities and improved our output in these critical areas, as you already have heard.

Sheryl, I personally thank you for your hard work keeping the IAB together during a long transition period and advancing the interests of the interactive media industry.

The Board should be prepared for other staff changes. Vice President of Industry Services **Leo Scullin** announced earlier this week that he plans to leave IAB by mid-year to return to an industry operating or consulting role. Leo has spearheaded our vital work in standards, guidelines, and practices, and contributed significantly to IAB's ability to influence the larger marketplace. We will replace him with an industry leader. This and other changes will not be disruptive. Instead, they will augment our capabilities.

To enhance our effectiveness and drive our agenda, I have worked with the entire Senior Team to develop Personal Business Objectives aligned to our strategic agenda and our capabilities needs. Team members will be appraised against these PBO's. I have included a first draft of my own PBO's for the Board's review. I expect the Executive Committee will use a later version of these in my appraisal. Naturally, I welcome your thoughts about my own PBO's.

Conclusion

We have much to discuss today, and I am eager for your input. My intention is to use this full board *to its fullest* – as an advisory board, as a sounding board, and as a responsible, active, vested board of directors, who can help the IAB team build the most important marketing medium of our lifetimes.

I thank you again for your confidence in me.