

IAB President's Report
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Setting the Industry Agenda for Monetization and Growth
By Randall Rothenberg

If 2016 was a massively disruptive year for mainstream American news media, it was even more so for the digital media and advertising industry. New media platforms lead inexorably to new ways of expressing ideas and new ways of perceiving the world. At the same time, there has been a huge shift on every platform. Historic norms and power structures are changing before our eyes. Ad spend is consolidating on a handful of platforms, calling into question how the Internet's rich diversity of content will continue to be financed.

So in the evolving world of platforms, who lives, who dies, and who thrives? That's the theme of this year's annual leadership meeting January 29-31 in Hollywood, Florida: **Publishers and Platforms: What's Next?** Consumer time and advertising spend is concentrating in a smaller number of large platforms, challenging almost a century of comfortable advertising and media economics. Yet with concentration comes opportunity, as companies evolve their business models to adapt to the new realities.

An IAB survey of our Board of Directors and members in the last quarter of 2016 uncovered nine areas of focus that are essential for the continued success and sustained growth of IAB members: Platform-publisher interdependency, standards enforcement, attribution (modeling), monetization, video, mobile, data, user experience, and regulation. Going forward, IAB has completely reorganized to better align the functions of our organizations and to offer greater clarity and accountability to our members on the value IAB delivers.

IAB also expects to pursue several "moonshots"—ambitious, exploratory, and groundbreaking initiatives that few are brave enough to invest in, but which could have significant upside for our members and the overall growth of the industry. IAB has identified consumer identity integration and attribution modeling support as efforts that could radically transform media buying and measurement, bringing together online (and potentially offline) data to enhance everything from targeting, to personalization, to measurement and attribution of brand exposures and purchases. Solving these problems will lead to the development of best practices on monetization and content integrations that are essential for members and marketers.

These priorities represent critical investments to build growth capabilities for IAB members. Everyone at IAB is focused and committed to delivering on this agenda in 2017, and together we look forward to a successful year ahead for our industry.

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The President's Report follows five challenges that must be met for the long-term health of the interactive advertising industry. These five enduring priorities for IAB and its members are:

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- Building Brands Digitally

- Moving Mobile Mainstream

Following reports on these priorities is a section on IAB operations that includes:

- Membership Services and Growth
- Public Policy
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The Trustworthy Digital Marketing Supply Chain

In November 2016, the IAB Tech Lab released version 3.0 of the [Mobile Rich Media Ad Interface Definition \(MRAID 3.0\)](#) for public comment. The revised MRAID standard provides technical guidance to improve user experience of mobile rich media ads running in mobile apps, faster ad rendering, audibility and viewability measurement, and Video Player Ad Interface Definition (VPAID) integration, among other advancements that are more developer-friendly. In addition to providing guidance on pre-loading ads and understanding ad readiness to display an ad to the user, MRAID 3.0 also gets location data to present users with the best possible experience.

In December, the IAB Tech Lab released [Transitioning Video Ads from Flash to HTML5/JS](#), practical guidance for migrating digital video advertisements to HTML5 and JavaScript, technologies which have emerged as the default media playback options in the majority of today's browsers. This paper solidifies the IAB Tech Lab recommendation that all video ads in the market should be HTML5-based by July 2017. Recognizing that this creates technical and operational hurdles that require time and planning, the IAB Tech Lab suggests that publishers, brands, and agencies take steps to shift the mix of ads from Flash to HTML5 and JavaScript over the first six months of 2017. The IAB Tech Lab also provided two detailed checklists to help ease the transition for different stakeholders, which include communications best practices and information regarding the technical components requiring updates.

Real-time Bidding (RTB) is a method of transacting media that allows an individual ad impression to be put up for bid in real-time. In January 2017, the IAB Tech Lab released **OpenRTB 2.5**, an update that includes integration of current trends and allows for improvements in programmatic technology. Release highlights include:

- New Ad Portfolio Support – integrating flexible aspect-ratio-based ads into the bid object
- Video Placement Type Support – adding visibility into what type of placement a VAST (Video Ad Serving Template) tag is running in accordance to the IAB digital video glossary
- Header Bidding Support – allowing for a signal when a bid request is originated from an upstream decision implementation, like header bidding
- Historic Metrics Support – enabling exchanges to pass historic metrics such as viewability or click-through rate

Making Measurement Make Sense (3MS)

In December 2016, IAB, the Media Rating Council (MRC) and the Mobile Marketing Association (MMA) released major overhauls to the **Mobile In-App Measurement and Mobile Web Measurement Guidelines** for public comment. The revised guidelines will shift both mobile in-app and mobile web measurement from a “count-on-download” minimum to a “count-on-begin-to-render” ad impression measurement minimum. The change will better align measurement of these impressions with the counting model in place for viewable impressions. The public comment period will remain open until February 1, 2017. At the same time, IAB, the IAB Tech Lab, and the MRC also introduced a proposed revision to the **Desktop Display Served Impression Guideline**, shifting desktop digital ad measurement away from a minimum of “count-on-ad-insertion” approach to a “count-on-begin-to-render” model. With this move, mobile and desktop measurement will be more closely in sync with digital video measurement.

Publisher Transformation

The IAB Data Center of Excellence partnered with the Winterberry Group for the second consecutive year in order to better understand and quantify audience data applications among digital marketing practitioners. “The Outlook for Data 2017: A Snapshot into the Evolving Role of Audience Insight” is a data benchmarking survey (released during IAB’s Annual Leadership Meeting at the end of January) that provides a “state of the union” perspective that practitioners can use to benchmark their current efforts and plan for the year ahead. According to respondents:

- “Better reporting, measurement or attribution” will be the top industry issue this year—a shift from 2016, when “cross-device audience recognition” took the lead position.
- “Cross-channel measurement and attribution” will occupy the most time and resources in the coming year. This is notable progress from 2016, when “general audience analytics” demanded the most attention – highlighting increasing sophistication across the industry.
- More than two-thirds (67%) increased their spending on data and related services from 2015 to 2016, and even more (71%) anticipate bigger budgets in 2017, reflecting the continued importance of data in our industry.

The IAB Performance Marketing Committee will continue its focus in 2017 on **buy-side multi-touch attribution (MTA) guidance** with the issuance of a primer on key considerations and evaluation criteria for MTA providers. This overview document is intended to help practitioners better understand the different types of data collection platforms at their disposal, their key value propositions, and how MTA analysis requires the aggregation of certain types of measurement inputs to function effectively. Using this as a reference point, readers will have a much more informed understanding of the key questions to ask MTA providers when evaluating their capabilities.

Building Brands Digitally

The power of sight, sound, and motion to capture attention, drive engagement, and build brands is evidenced by the continued [growth](#) in digital video advertising, which saw a gain of 51 percent across mobile and desktop since HY 2015, and an extraordinary increase of 178 percent on mobile. As impressive as these numbers are, the opportunity and urgency for publishers to

effectively monetize consumers' seemingly insatiable appetites for video—especially on mobile—is just beginning to be tapped.

Video Priorities for 2017

With a mission to support the growth in video through the evolving convergence of television and digital video, the IAB Digital Video Center of Excellence gathered—through its annual leadership summit—a core team of industry leaders to help prioritize issues and develop action plans to enable the continued growth of the video advertising space. Among the top issues identified at the 2016 summit was education for brands, agencies, and media companies, especially with regard to the rapidly changing terminology in video. In October, the IAB [Digital Video Glossary](#) was refreshed through the addition of 13 new terms, identified through member surveys as most in need of clarification. Now with 53 terms, the glossary will serve to facilitate better understanding and communication throughout the industry. As the video marketplace continues to evolve and expand, new terms will be added and others updated to reflect the changing landscape.

Video Landscape Report

Also on the education front, in Q4 the Video Center released the [Video Landscape Report](#). A compilation of existing industry research and analysis, the report contents were informed by interviews and feedback from more than a dozen industry practitioners and subject matter experts from broadcast, cable, ad tech, digital pure plays, agencies, and brands, as well as multiple stakeholders from the IAB Video Board and Video Buyer's Advisory Board. The report is designed to serve as a modular tool, distilling current industry trends and helping to educate the marketplace about the growth and value of video in reaching and engaging consumers. Updates to the landscape report will take place every six months.

Supporting the Growth of VR and AR

The new immersive media platforms virtual reality (VR) and augmented reality (AR) have received a lot of attention and investment over the past year, fueling momentum in technology and content development and leading to the formation of a full-blown ecosystem of publishers, developers, and advertisers. As a follow-up to the IAB market snapshot report, [Is Virtual the New Reality?](#), the Digital Video and Mobile Centers of Excellence held the first VR Summit on December 8 to discuss what's needed to further define and establish the market opportunity in VR, and to determine the role IAB should play to help support the medium's growth. While summit participants spoke with tempered enthusiasm for the business opportunity in VR given the small scale of current audiences, there was agreement that VR is changing not only the media landscape, but the very nature of storytelling. Agreed-upon next steps include the launch of a VR working group to focus on development of a buyer's guide with common industry terms, as well as continued work on format guidelines so advertisers and publishers can learn how best to leverage the medium.

The Colliding Worlds of Digital Video and TV

The growing popularity of Over-the-Top (OTT) video is shifting the traditional TV landscape, bringing interactivity, data, and targeting long associated with digital media to the television ecosystem. It's also opening up a new level of choice in content and pricing models for consumers, who can now choose from a continually growing menu of apps with professionally produced as well as user-generated content. For marketers, there is the opportunity to create dynamic, interactive, even “shoppable” ad experiences that can drive increased engagement and brand recall, bringing consumers further down the purchase funnel. A project of the OTT working group—the **IAB OTT one-sheet**—provides agencies and marketers a quick reference guide to this increasingly important world of OTT video advertising.

Digital Audio Buyer's Guide Update

In November, the Digital Audio Committee released the [Digital Audio Buyer's Guide 2.0](#), an update to the original document published in April 2015. The goal of the guide is to educate marketers and agencies about digital audio advertising opportunities, discussing best practices and guidelines for reducing operational costs while driving sector growth. This update dives further into these points and answers questions that creatives, planners, and buyers have about investment in digital audio advertising. The guide's release was covered by *Adweek*, *Business Insider*, Nieman Journalism Lab, and more.

Driving to the Future: Connected Car Marketing

To assess connected car media opportunities, the Connected Cars Working Group surveyed thought leaders in the industry and summarized responses in a [blog post](#) that was published in December. The post highlighted opportunities and obstacles surrounding data, privacy and user experience. Those surveyed predict that connected cars will prove valuable as a growing medium that has the potential to fill many important gaps in our understanding of the customer journey, from digital media to ecommerce and in-store purchase.

Native, Messaging, and Games

As both publishers and brands continue to seek out ways to distribute content and reach consumers in native ways, the 40+ member IAB Messaging Working Group—sourced from the Mobile, Social Media, and Native Advertising/Content Committees—released a paper in December, [Marketing in the Messaging Space](#). The document provides key defining characteristics of messaging options that should be considered for evaluation, as well as top chatbot capabilities with messaging function apps. In December, members of the IAB Native Advertising/Content Committee offered their predictions for native advertising in 2017. Much of our focus for 2017 will relate to mobile, video, and data, as well as new ad formats such as VR/AR and emerging person-to-person marketplaces such as Uber 's experiments with new advertising models. In the gaming space, in November the Game Advertising Committee was represented at Social Media Week in Chicago with a panel titled “The Value Exchange: How Brands Win at Game Advertising.” IAB joined Nielsen, Twitch, and TreSensa moderating a panel that discussed gamer trends and case studies showing how brands like Toyota and Valvoline win with game advertising.

IAB Education Foundation

In November, iDiverse—the diversity and inclusion initiative of the IAB Education Foundation—hosted its first Digital Advertising Career Night for the students in the College of San Mateo pilot program. The event took place in the newly-opened IAB San Francisco office, with the goal of helping students with networking and resume workshops, forging pathways to digital careers, and fostering diversity and inclusion in the digital workforce.

Moving Mobile Mainstream

According to the IAB Internet Advertising Revenue 2016 Half-Year Report conducted by PricewaterhouseCoopers and released in November 2016, the U.S. mobile marketplace continues to grow at an unprecedented rate. Mobile revenues increased 89% from the \$8.2 billion reported at Half-Year 2015 to \$15.5 billion at Half-Year 2016. For the first time, Mobile surpassed Search as the leading ad format.

App marketing—which is designed to drive app installs, app retention, and app monetization—is an important part of the mobile advertising ecosystem, representing more than a quarter of total U.S. mobile ad revenue in 2015. To help marketers navigate this space, the Mobile App Marketing Working Group identified a list of core questions that should be asked of media and advertising providers to ensure that their strategic goals are met. This list of **App Marketing Best Practices** was published in January 2016, focused on Media, Targeting, Creative, and Reporting.

IAB Operations: Expanding the Influence

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

Membership Services and Growth

The current total IAB membership includes 694 companies. Notable new members since November 2016 include AIG, Dailymotion, Extravision, Media.net, and Yellowhammer. The Long Tail Alliance—our body representing the smallest developers of original digital content including bloggers and sites with less than \$1 million in annual revenues and fewer than five full-time employees—now includes nearly 1,200 members.

Some of our new members include:

Adacado
Ad Lightning
AdRizer
AIG
Anghami
AudioHQ
Beeswax
Blis
Dailymotion
Entravision
Good Apple Digital
Lucid Sight
MadHive
Media.net
NYIAX
Placed
Programmatic Mechanics
Tech Mpire
Throttle
Yellowhammer

Public Policy

After a month spent recovering from a long and arduous campaign cycle, Washington is once again buzzing, and the IAB public policy office has been quick out of the gate.

On January 3, 2017, IAB joined in submitting a petition to the Federal Communications Commission (FCC) urging them to reconsider its broadband privacy rules mandating consumer opt-in before using data for marketing purposes. On October 27, 2016, the FCC voted 3-2 along party lines to adopt the report and order imposing onerous regulations on broadband providers.

On January 6, 2017, the IAB Public Policy team filed comments with the Food and Drug Administration (FDA) in response to proposed research the agency plans to conduct relating to the advertising of pharmaceuticals on space-constrained platforms and social media. In a notable success, the research is structured to evaluate the “click-path” approach that IAB proposed and has advocated for over the course of the last three years. Expanding the capability for pharmaceutical companies to use digital advertising would open a potentially large source of additional advertising revenue for publishers.

Also in January, 2017, the IAB Legal Affairs Council hosted a workshop on the latest developments on the EU General Data Protection Regulation (GDPR). In addition to providing guidance to IAB members on how to comply with the new law, IAB described a coordinated strategy to advocate on this and other onerous international laws—such as the recently proposed EU ePrivacy Regulation—that threaten the digital advertising ecosystem.

Certification and Learning & Development

The IAB Certification Program continues to grow in both size and global recognition. In 2016, more than 1,200 new digital leaders have taken part in the Sales, Ad Operations, and Data programs across 41 countries, bringing the total number of participants to more than 10,000—a 41 percent increase in one year. IAB also launched the Learning and Development Council which will serve as a resource for developing best practices and training content for the digital media industry.

Research

At the request of the IAB Research Council and sponsored by Drawbridge, YuMe and Discovery Communications, in January 2017 IAB released the [IAB Cross-Media Ad Effectiveness Study](#). This study decisively proves—via live campaigns across 5 verticals (Auto, CPG, Retail, Finance, Media)—that the inclusion of digital formats (desktop, mobile web, mobile in-app) with traditional media campaigns (TV, print, OOH, radio) consistently improves the overall brand impact, both individually and in combination with traditional media formats. Mobile web ads combined with any other media improved brand familiarity of a new auto model by 19%, and the inclusion of desktop ads with any media lifted brand consideration by 26%. Desktop plus mobile web plus TV proved to be a powerful combination, driving a 211% lift in unaided auto brand awareness, and was responsible for 47% of the total purchase intent lift for a CPG brand.

IAB International

IAB International is deepening its commitment to support our members’ international agendas, leveraging the strength and collaboration of the **IAB Global Network**, encompassing 44 IAB organizations across six continents.

2017 kicked off with the exciting news of the Japanese Interactive Advertising Association (JIAA) joining the IAB Global Network as **IAB Japan**, the forty-fourth IAB licensee. Masahiro Katsuno, Senior Managing Director, JIAA, and JIAA team will work with IAB to drive common goals, promote global standards and guidelines, create better ads, improve consumer experience, and advance the industry's interests in the Japanese market. JIAA was founded in 1999 and has 224 members—including a number in common with IAB—such as Adobe, AOL, BuzzFeed, Google, and Twitter.

As IAB has seen the value of the global mobile research initiatives bear fruit over the past few years—including the influential press they garner around the world—we have reached out to international leaders and possible sponsors to review three topics for a study in 2017: Content distribution and monetization on mobile messaging apps, global growth, and opportunities for digital music streaming, marketing, and mobile gaming.

In early December, IAB hosted a delegation of Chinese executives from market leading companies such as Sohu, Hylink, GroupM China, Dentsu Aegis Amplifi China, and Tencent. The goals of the meeting were to underline the value of developing and adopting global standards, introduce new members to the IAB Tech Lab, garner feedback for the IAB new ad portfolio, learn more about the Chinese market, and nurture our important relations with IAB China.

Events

Events generated its highest net profit yet in 2016: \$2.41M, up 1.36 percent from 2015. The \$7.16 million revenue yielded a \$3.77 million gross profit. Amidst the increasingly competitive landscape, IAB is refreshing its Events portfolio to keep it relevant and competitive. We will kick off 2017 with our IAB Annual Leadership Meeting (January 29-31) and our 3rd annual IAB@ Mobile World Congress conference in Barcelona (February 28). We will also repeat the very successful IAB Video Leadership Summit on July 10-11 in Carlsbad. This working meeting set the agenda for the IAB Video Center of Excellence. Overall, we will be changing the format of our one-day events to include more agenda-setting town halls, which will inform the work of our committees and councils. Some of the topics we'll cover in 2017 include AR/VR, Content Studios, and Measurement.

Marketing

Marketing closed out 2016 by reinforcing IAB leadership in the industry in key areas such as mobile and programmatic, and began 2017 by developing new means to understand our members' needs.

Marketing developed and executed a strategy to leverage 2017 forecasts and predictions to position IAB and its members as experts and leaders in key industry topics. Nearly 30 members—including AOL, Flipboard, Meredith, Merkle, PopSugar, Sharethrough, and Vibrant Media—were featured in a native predictions spotlight on IAB.com. We placed programmatic predictions from Joe Zawadzki—CEO, MediaMath, and Chairman of the Board for the IAB Data Center of Excellence—in *MediaPost*. We secured an op-ed by Anna Bager in *Adweek* that predicted the top digital video trends of 2017 and discussed measurement, user experience, and AR/VR. To keep the IAB Tech Lab top of mind, we executed press pushes for Alanna Gombert that resulted in interviews in *MediaPost* and *Marketing Dive*.

Marketing launched the first IAB member knowledge and satisfaction survey, which will be distributed in early February. The survey will build on Board of Directors interviews and other member input to gain additional quantitative data on member knowledge and satisfaction. This data will be used to inform IAB leadership and staff, and help shape strategic objectives. Going forward, we will leverage the 2017 survey to set benchmarks that IAB can use to better understand our members' perceptions and what influences them.

Financial Management

IAB finances continue to be in a solid position. According to financial results through December 2016, topline revenue of \$28 million was slightly below 2016 budget (7 percent); however, we are projecting to end the year around \$2 million, or 7 percent, above prior year results. The gap between recognized revenue and the budget through August was due to general weakness in programs across the board, as well as approved Data Center of Excellence business development strategy.

Due in part to approved investments in the IAB Tech Lab and the Coalition for Better Advertising, we expect to end 2016 with a \$100,000 deficit. We have also managed expenses, both our cost of services and expenses with their respective budgets, allowing IAB to deliver net income for the period ending November 2016 of \$.4 million. We feel confident that IAB is well-positioned financially to deliver on its ambitious agenda for 2017.

I am inspired by our progress and pleased by our ability to continue to deliver value to our members. This success would not be possible without the commitment from our esteemed Board of Directors and our members. Thank you for your continued support of this team and our efforts.

Respectfully submitted,

Randall Rothenberg
President and Chief Executive Officer