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IAB BOARD OF DIRECTORS

President's Report
November 2, 2017

Digital Media and the Building of 21st Century Brands

By Randall Rothenberg

For better and for worse, the digital advertising industry has arrived. Digital advertising revenues continue to climb, hitting $19.6 billion in the U.S. in the first quarter of 2017, a 23 percent jump from the year before, according to the IAB 2017 Internet Advertising Revenue Report conducted by PwC. The ad-supported internet now contributes an incredible $1 trillion to the U.S. economy.

Yet as I write, the U.S. Senate is about to launch hearings on how foreign countries used flaws and gaps in the digital advertising and media supply chain to attempt to influence the 2016 American Presidential election.

After years of uncertainty in the advertising industry about the viability of mobile as a serious medium, mobile advertising fueled more than half of the internet economy last year, in no small part because nearly two-thirds of smartphone users worldwide check their device every 30 minutes or more, and nearly half say that they took action after seeing mobile advertising, according to the IAB report, Always On – A Global Perspective of Mobile Consumer Experience, an in-depth survey of smartphone users compiled from 18 countries around the world.

Yet many marketers are still struggling with elemental (and possibly irrelevant) questions, like, "What should my app strategy be?"

New content and ad formats continue to catch fire. U.S. podcast advertising revenues are forecast to skyrocket to more than $220 million in 2017, an 85 percent increase over 2016, according to the first-ever 2017 IAB Podcast Advertising Revenue Study.

But for all their wild cultural popularity, podcasts remain a bit of a mystery for too many brand marketers, who want to understand how to measure them consistently with other media.

In short, I'm incredibly proud of what the digital media, marketing, and advertising industry has accomplished, and I'm in awe of the tremendous innovation and opportunities that lie ahead.

But there's much work to be done.

- **Looming regulation threatens to kill the digital media industry.** Well-meaning government regulation could undermine the ability of smaller and more innovative publishers to compete in the evolving digital economy, with the new privacy framework in Europe, including the General Data Protection Regulation (GDPR) and the proposed ePrivacy Regulation, as well as the U.S. Congress' effort to regulate internet political ads promising to increase costs on struggling media companies.
- **The crisis of fake news rages on and we still don't know how deep the rabbit hole goes.** Now more than ever we need to continue to bring together journalism leaders and other content leaders into open industry dialogues to address this scourge.

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- **We are shifting from an indirect brand economy to a direct brand economy.** Direct-to-Consumer (DTC) brands such as Dollar Shave Club and Uber, and marketers using mobile as a direct-to-consumer pathway, are disrupting the business models of market leading brands in many categories.
- **Brands are clamoring for creativity in a marketplace of competing and increasingly asynchronous platforms.** Marketers are struggling to keep up with the pace of platform evolution and mobility, and need to learn how to use the newest platforms without breaking their own cost base.
- **Digital supply chain flaws and gaps have moral and political implications beyond brand safety.** We need to clean up the digital supply chain for brand and consumer safety and to help bring back trust in the digital ecosystem.
- **Non-compliance with industry standards and increasing automation** has put us on the slippery slope to [relativism that fuels fake news, industry mistrust, and social degradation](#).

IAB is committed to tackling all these challenges on behalf of our members and has undertaken several initiatives and released standards and applications to protect brand safety and promote growth.

As part of the IAB advocacy and policy efforts in Washington D.C., our public policy team hosted many influential visitors from both the European Parliament and the U.S. Congress. These visits were an opportunity to reinforce the value of the digital economy and to demonstrate how legislation affects our industry. And more recently, on October 24, I [testified before Congress](#) in a hearing on digital political advertising and oversight of Federal political advertisement laws and regulations.

In October, IAB hosted the first-ever **Content Studio Showcase**, a first-of-its-kind marketplace for publishers' content studios, to showcase the wealth of ways these dynamic creative powerhouses apply their storytelling expertise to build marketers' brands. These publisher content studios may be the most significant advance in advertising creativity since the Creative Revolution of the 1960s.

In September, IAB also hosted the first-ever 2017 **IAB Leadership Dialogues**, an invitation-only series of intimate discussions in which leaders of the marketing, media, and technology sectors interacted with leaders who are reinventing their world. Participants included Tim Armstrong, Chief Executive Officer, Oath; Kristin Lemkau, Chief Marketing Officer, JPMorgan Chase; Marne Levin, Chief Operations Officer, Instagram; Bob Lord, Chief Digital Officer, IBM; John Martin, Chairman and CEO, Turner Broadcasting; famed surgeon and television host Dr. Mehmet Oz, as well as other industry luminaries.

As part of the IAB Education Foundation initiatives to foster diversity and inclusion in the digital industry and to build the talent pipeline, we are proud now to claim **[graduates from our iDiverse Digital Marketing and Media Program](#)** on both the East and West coasts, with the first cohort from the Borough of Manhattan Community College (BMCC), who just graduated in New York City in October. Those students are ready and eager to join the digital industry to apply what they have learned in the program. We encourage all IAB Member Companies to hire or offer internships to those talented [iDiverse students](#).

This report covers these and other significant initiatives that IAB has undertaken since our last IAB Board of Directors meeting in June.

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The format of this President's Report follows the five-year plan that the board accepted—and our industry embraced—in 2014. The plan outlines five challenges that must be resolved for the long-term health of the interactive advertising industry and how IAB initiatives benefit our members. These five enduring priorities are:

- The Trustworthy Digital Marketing Supply Chain
- Making Measurement Make Sense (3MS)
- Publisher Transformation
- Building Brands Digitally
- Putting Users First

Following these priorities is a section on central IAB functional activities, including:

- Membership Investment and Relations
- Public Policy
- Learning and Certification
- Research
- International
- Events
- Marketing
- Financial Management

The Trustworthy Digital Marketing Supply Chain

Earlier this year, IAB announced that all its member publishers and technology companies will be required to register with the **Trustworthy Accountability Group (TAG)**—the digital ad industry's program to fight fraud and other criminal activity—before June 2018 in order to remain eligible for continued membership in IAB, the industry's leading trade association. TAG membership has nearly quadrupled since that announcement, and for the first time, our "cousin" association, the Association of National Advertisers, which represents brand marketers, has noted in its member research a decline in the incidence of bot fraud affecting its members. As IAB continues to lead the industry toward a more transparent and secure supply chain, IAB Tech Lab resources are integral to shipping necessary programs and tools to support those efforts.

The Authorized Ad Sellers program, ads.txt, has fast gained attention as an important tool in fighting ad fraud. Since its first release in May 2017, the OpenRTB Working Group has incorporated feedback from the industry about use cases that need to be supported in the ads.txt mechanism. Released in September 2017, the new **ads.txt version 1.0.1** is backwards-compatible and has more details to support adoption in a wider range of use cases. The IAB Tech Lab is continuing education and implementation support efforts, and we expect this updated version of the ads.txt spec to accelerate continued adoption in the industry. Ads.txt has been gaining traction and coverage in *The Wall Street Journal* and AdExchanger. *The Financial Times*' adoption of ads.txt and support for the tool was recently spotlighted in Digiday. We encourage adoption of ads.txt by all IAB members.

Built on this initiative, in October, IAB UK announced the establishment of the "**IAB Gold Standard,**" an effort to reduce ad fraud, improve digital advertising experiences, and increase brand safety in Great Britain. The program requires buy and sell-side implementation of ads.txt and leverages critical standards and solutions developed in the U.S. by IAB and the global IAB Tech Lab, as well as the Coalition for

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Better Ads (CBA). IAB management is confident that a similar model, in combination with guidance and programs established by the U.S. Media Rating Council (MRC) and Trustworthy Accountability Group (TAG), will soon enable new uniform brand safety guidelines worldwide.

IAB also joined forces with the 4A's and ANA in sending a letter to the **Coalition for Better Ads** to propose an industry-wide self-regulatory system, including browser makers and delivery tech companies, that would banish the most offensive advertising formats from the internet. The press coverage included *WSJ's* CMO Today, *Ad Age*, Marketing Land, The Drum, MediaPost, AdExchanger, *Adweek's* Agency Spy, and more.

Released in September, the **OpenRTB 3.0 Framework** **draft for public comment** includes secure signed bid requests (publisher supply) and integrates with an Ad Management API specification that enhances creative management. Both align with a new **Advertising Common Object Model** that facilitates consistency across related specifications, and addresses demand for authenticated supply and other anti-fraud tools, brand-safe ad experiences, and expanded support for media channels.

The **IAB New Ad Portfolio** allows for creative to adjust to screen size and resolution capabilities by integrating aspect ratio-based flexible ad sizes. It adopts the LEAN Principles (Lightweight, Encrypted, AdChoices-supported, Non-invasive advertising) within all mobile, display, and native ad formats.

MRAID—"Mobile Rich Media Ad Interface Definitions"—is an initiative to define a common API (Application Programming Interface) for rich media ads that will run in mobile apps. **MRAID 3.0** includes features to improve consumers' ad experiences. The new MRAID enables the ad to measure viewability and audibility, detect environment, and obtain location data to present the most relevant experience. MRAID 3.0 also includes guidance on pre-loading ads and understanding readiness to display an ad. The Video Player Ad Interface Definition (VPAID) addendum to MRAID is also now fully included in the MRAID specification.

Additionally, a new **Blockchain Working Group** has been created by IAB Tech Lab to investigate how to apply the technology to the ad industry that keeps a fully verifiable and immutable ledger or database available to all members of a particular group or market. The Blockchain Working Group received press attention with placements in MarTech Today, AdExchanger, MediaPost, Adotas, and in an ExchangeWire Q&A with the working group's co-chairs.

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Making Measurement Make Sense (3MS)

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IAB continues to engage with MRC, ANA, and 4A's to move the 3MS initiative beyond viewability as it focuses on the next 3MS goal of creating common audience currency across media channels.

The **Podcast Measurement Technical Guidelines** establish a common set of ad metrics in the podcast space by introducing a four-step process that will help increase the accuracy of measuring podcast downloads, audience size, and ad delivery. In addition, the new guidelines provide an expanded set of podcast content metrics definitions, since podcast advertising is intrinsically tied to corresponding editorial content.

The **Open Measurement Software Development Kit (OM SDK)** initiative was created to address scaling for third-party measurement of ads served within mobile app environments. In October, IAB Tech Lab announced an exciting change in the way that viewability is measured and vendors interact with mobile applications with a beta rollout of the OM SDK to the members of the Open Measurement Working Group for testing. This is an essential and important first step in introducing this SDK to market, and the beginning of a new era for the industry.

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IAB is committed to eliminating confusion and reducing friction in the marketplace by developing and updating measurement standards and guidelines. The **Modernizing Measurement Task Force (MMTF)** released the final versions of the **Mobile In-App Measurement Guidelines,** which cover the measurement and disclosures related to dynamic, in-application advertisements that appear on mobile devices, the **Mobile Web Measurement Guidelines**, and the **Desktop Display Impression Measurement Guidelines,** with the goal of defining and driving clear standards-based metrics for interactive advertising across the marketing ecosystem that are comparable to legacy media.

<u>**Publisher Transformation**</u>

In October, IAB hosted the first-ever **Content Studio Showcase: Brand New Ideas**, a first-of-its-kind marketplace for publishers' content studios, to showcase the wealth of ways these dynamic creative powerhouses apply their storytelling expertise to build marketers' brands. The full-day event was designed for marketing leaders—from brand managers to CMOs—to compare and contrast the capabilities of a dozen of the most prominent content studios in digital and multimedia publishing. The October showcase was the first of multiple IAB content studio marketplaces to be held in cities across the country.

In September, the third annual **IAB Podcast Upfront** was held at the Henry R. Luce Auditorium at Time Inc.'s headquarters in Battery Park, New York City. The event was a one-day marketplace for advertisers and media buyers to preview the latest in innovative podcast programming from some of the biggest names in digital audio. The event aimed to educate and raise awareness of podcasting as a valuable platform to reach consumers. Presenters shared content offerings, audience insights, and opportunities with which advertisers can effectively align their brands. More than 200 marketers attended the event.

As part of this effort, in August, IAB released the **IAB Podcast Playbook**, our first-ever buyer's guide for advertising in podcasts. The playbook created a comprehensive, concise overview for marketers that offered insights into audience demographics, listener behaviors, creative treatments, ad formats, delivery and targeting, and ad effectiveness measurement.

On the video front, **the IAB Video Center of Excellence** launched a new **Guide to Digital Video Advertising** in September, a combination web site and multi-chapter report that addresses such topics as: which formats and platforms are seeing the most growth, what works, and what's trending for the future (including vertical video). Other chapters include a **Video Ad Tech Overview** (explaining the technologies and standards used to serve ads, with practical checklists for campaign execution), **Audience, Data and Measurement**, and **Challenges in the Digital Video Space (and Efforts Underway to Solve Them),** with summaries of what's needed to ensure a more efficient marketplace. Given the speed of change, the guide will be updated on a semi-annual basis.

In July, the IAB Video Center hosted its annual **Video Leadership Summit**, an invitation-only working meeting that gathers leading industry stakeholders to address and solve problems facing the video industry. Beginning with a discussion with Chris Jacquemin (head of digital media at the Hollywood talent agency WME-IMG), participants examined the world of Hollywood disrupters, the creators and influencers driving the emerging OTT landscape. Additional themes included resources and measurement and what's needed to support creative development across the multiscreen landscape. Issues of communication across the worlds of TV and digital were also addressed with suggestions focused on establishing a shared vernacular, buyer education, and clearer KPIs to help bridge gaps in planning, buying and selling. The summary findings can be found in this post-summit report.

The IAB Game Committee was represented at the New York Media Festival (NYME) on September 26 with a panel titled, **Why Engaging Digital Ad Experiences Are the New Gold Standard for Marketers.**

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The panel was moderated by Susan Borst, Deputy Director Mobile at IAB, with senior leaders from Twitch, Unity Technologies, InMobi, and Zynga.

Building Brands Digitally

Marketers are now using mobile as a direct-to-consumer pathway. To help our members thrive in a mobile-always world, the **IAB Mobile Marketing Center of Excellence** published **The Mobile Identity Guide for Marketers** (and a companion one-sheet) at the **2017 IAB Mobile Symposium** in New York on June 13. The guide highlights the importance of identity management, the challenges and opportunities for leveraging identifiers such as Ad IDs, cookies, IP addresses, and location-based data, as a foundation for user-level mobile and cross-screen marketing activities, from targeting, measurement and attribution to ensuring a quality user experience. The guide also presents use cases for identification data within two primary categories—targeting and measurement—and explores related applications that range from frequency management and audience amplification to attribution and predictive modeling.

The shift of the digital ad audience for the multicultural demographic has far outpaced the demographic shift of the ad industry: Today, more than 40 percent of the U.S. population are diverse, non-white Americans. To support our members in this important opportunity, the IAB **Cross-Cultural Marketing Day**: "Our America is Multicultural. So is the Opportunity" was held on October 10 at Oath offices in New York. The event featured speakers from Kimberly-Clark and Ipsos, as well as discussions of approaches for addressing the "majority minority," how companies, agencies, and marketing teams are organizing for success, and the increasing importance of quality data and consumer insights. Client-based case studies were shared throughout the day. Sponsors included A&E, Telemundo, Facebook, Google, Oath, BET, and Lotame.

Consistent with our thought leadership activities in multicultural marketing, the IAB Education Foundation works to increase diversity within publisher and brand organizations, paying specific attention to leadership/executive involvement and inclusionary practices, with emphasis on retention and recruitment, through the work of the Diversity and Inclusion Task Force. The **Diversity & Inclusion Task Force** met on October 18 for a lively discussion presented by Freada Kapor Klein on "Why Diverse Employees Leave Tech and What to Do about it". Tim Armstrong, CEO, Oath, sat down with two of our newest iDiverse graduates to hear their perspective on why they took the Digital Marketing and Media Foundations course, what they hope to do now that they have finished, and why they are interested in joining the digital marketing industry.

Our first New York City cohort graduated from the **iDiverse Digital Marketing and Media Foundations Program** in October. The graduates are looking for open positions within the industry. Student profiles can be found at idiverse.org/students. Students coming out of the program have a core knowledge of the industry and are prepared for entry level jobs. We will be hosting a "Career Accelerator" event in NYC on November 6 for the graduates of our iDiverse program, asking Hiring Managers, D&I Professionals, and HR representatives to lend their expertise and meet our students. The IAB Education Foundation Board of Directors met on October 18 and discussed the expansion of our board (we are looking for new board members) and ways to bolster our hiring initiatives. Show your support as a thought leader in diversity by joining our board of directors and supporting our initiatives.

Putting Users First

In September, IAB hosted the first-ever **IAB Leadership Dialogues: Straight Talk Among Industry Leaders**, an invitation-only series of intimate discussions in which leaders of the marketing, media, and technology sectors interacted with leaders who are reinventing their world. The event convened a select group of senior industry executives during Advertising Week 2017, to engage in intimate dialogues with transformative leaders in business, politics, economics, and technology. The event sought to gain insights

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from and debate critical industry, political, and economic issues with each other—the men and women who are driving business change in the U.S. and abroad. The "provocateurs" for this first set of closed-door interchanges included Tim Armstrong, CEO, Oath; Jeffrey Cole, USC Annenberg School for Communication and Journalism; Nadine Karp McHugh, SVP of Omni Media & Creative Solutions, L'Oréal; Kristin Lemkau, Chief Marketing Officer, JPMorgan Chase; Marne Levine, Chief Operating Officer, Instagram; Bob Lord, Chief Digital Officer, IBM; John Martin, Chairman and CEO, Turner; and Dr. Mehmet Oz from the *Dr. Oz* show. The audience was limited to under 75 people and curated from the C-Suite of IAB member and partner companies, including publishers, major brands and retailers, and technology providers.

User experience is both an opportunity and a challenge that stands in front of us in the marketing and media industries. At IAB, our efforts on our members' behalf are all in support of navigating this new world order. In July, IAB released a finalized version of the new **IAB Standard Ad Unit Portfolio**, featuring ads that allow for creative to adjust to a variety of screen sizes and resolution capabilities. This new ad portfolio puts user experience front and center—benefitting both consumers and the brands that want to reach them online. These new ad units have gone through comprehensive testing, with expanded mobile and video capabilities that will propel interactive marketing to new heights. Developed by the IAB Tech Lab, the portfolio's ad units integrate aspect ratio-based flexible ad sizes, and also incorporate the LEAN Principles of lightweight, encrypted, AdChoices-supported, and non-invasive advertising within all of its mobile, display, and native ad formats. This new ad portfolio is based on HTML5 technology and also includes guidelines for such new digital content experiences as augmented reality (AR), virtual reality (VR), social media, mobile video, emoji ad messaging, and 360-degree video ads.

IAB has also invited the Mobile, Native, and select Data Committee members to join the **Artificial Intelligence Working Group**. Co-chaired by IAB Mobile Center Board Member Patrick Albano, AdTheorent, and Weather.com's CMO, Jordan Bitterman, this group of over 100 IAB members kicked off a project in July to develop a document that seeks to demystify AI/machine learning for marketing purposes. The announcement about this group's formation received press coverage in MediaPost and GeoMarketing.

IAB's Activities: Expanding the Influence

Many IAB capabilities support the above 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 Investment and Relations

In 2017, IAB reconfigured its internal structure in order to better service its members. With a focus on servicing key accounts and implementing systems to fully engage members with "white glove service," IAB now dedicates a single point of contact to every member. We also conducted qualitative and quantitative research in order to uncover unmet member needs, refocus our IAB priorities, and inform staff about best practices for servicing members effectively.

IAB added 35 new members from June to October 2017, including LKQD, MUNDOmedia, SoundCloud, and Vice Media, just to name a few. The IAB membership now totals 737 General Members and Associate Members. The Long Tail Alliance—our body representing smaller developers of original digital content, including bloggers and other sites with less than $1 million in annual revenues and fewer than five full-time employees—now includes 1,190 members.

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Below is a comprehensive list of new members:

AdBrilliant
AddApptr
Albert™
Amino Payments
Bringhub
cignal.io
Confiant
Deluxe
dianomi
FusionSeven
Gameloft
Geopath
Gregory Welteroth Advertising
HCL Technologies
Inoventiv
ION Media
Lo70s
MarketStar
Media Japan Network
MUNDOmedia
NewBase
NextVR
Nucleus Marketing Solutions
OpenSlate
Placecast
Screen6
Sentient Technologies
SimpleReach
Standard Media Index
Topix
Tremor Video DSP
TuneIn
Universal Parks & Resorts
Vertoz
Vice Media

Public Policy

In direct and swift response to the Federal Election Commission's October 10 request for public comments on internet communication disclaimers and political ads, on behalf of the Interactive Advertising Bureau, I testified on October 24 before the House Oversight and Government Reform Committee's Subcommittee on Information Technology. The hearing, entitled **Oversight of Federal Political Advertisement Laws and Regulations**, examined the current technological landscape to determine if legislative, regulatory, or other solutions are needed. IAB has always stood for greater transparency and disclosure in the digital advertising supply chain, regardless of whether the ads are political or commercial, because we believe transparency and disclosure are necessary for consumer safety and brand safety. In my testimony, I highlighted how the problems of undisclosed foreign influence in our last election demonstrate the need for greater transparency and disclosure in digital advertising, and we strongly support efforts by the Congress and the Federal Election Commission to clarify, reconcile, and strengthen the disclosures required of political parties, candidates, and campaigns.

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Earlier in October, the IAB Public Policy Office also brought a handful of very senior Congressional staff from the House of Representatives to New York for our second ever Staff Trip. Starting with the Content Studio Showcase, we were able to demonstrate how digital advertising is evolving. Through our subsequent visits to four IAB member offices in NYC that day, we were able to reinforce the value of advertising, further the IAB brand in D.C., and give the staff an opportunity to hear how their legislative actions and decisions affect their businesses and our industry.

In September, the IAB Public Policy Office hosted a delegation of seven Members of the European Parliament for a roundtable discussion in Washington, D.C. The visiting members sit on the Internal Market & Consumer Protection Committee, which has exclusive or shared jurisdiction over key issues to our industry, including data protection, digital trade, and standards setting. Twenty IAB member companies participated in the event. The event was important to our ongoing efforts to address the harmful legislative proposals that have been introduced in Europe. Participants discussed the evolving privacy framework in Europe, including the General Data Protection Regulation (GDPR) and the proposed ePrivacy Regulation. IAB member companies raised the challenges faced by the digital advertising industry in complying with recently proposed EU rules, and highlighted the importance of avoiding unintended consequences of prescriptive privacy laws.

Learning and Certification

As the digital media and advertising industry has grown, IAB members have asked for more training programs to grow the talent pool by improving skills, and for expanded certification programs in sales, data solutions, and ad operations. To that end, earlier this year IAB launched a new training program called **Programmatic 360: Automation Decoded**, an exclusive, comprehensive training for buyers and sellers that provides in-depth knowledge of programmatic technologies. And we are launching the online counterpart to our **Programmatic 360: Automation Decoded** in-person course, which already reached more than 150 learners in cities across the U.S. in 2017. The online course will be highly interactive with live discussions and demos from industry experts, providing technical know-how and best practices for buyers and sellers. Responding to high demand for this training, the course will be available online globally.

We also introduced the **IAB Digital Marketing and Media Foundations Certification**, the only globally-recognized professional certification created specifically for digital media and advertising. This program is for those new to the digital spectrum, and provides a solid understanding of the digital marketing and media ecosystem, while helping candidates build their careers and secure jobs in a range of digital advertising departments—from media buying to selling, ad operations, data solutions, marketing, and more.

The **IAB Certification Program** continues to grow in size and global recognition. In 2017, digital leaders have taken part in the Sales, Ad Operations, and Data programs across 70 countries, bringing the total number of participants in the program to more than 14,000. The Learning and Certification team also collaborated with our IAB research team to create the IAB Digital Media Seller Intelligence Study.

Research

The **IAB Digital Media Seller Intelligence Study** is the first-ever benchmarking research at the industry level to understand the impact of training and certification on performance and career prospects. This important study synthesizes both qualitative and quantitative insights—collected from digital media sales leaders and digital media sales professionals—to inform the development of best practices for training and development as a tool set for the leaders of digital advertising sales organizations to develop their teams, and for individual digital media sales professionals to develop their own individual career paths.

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The study will be released during the Fourth Quarter, and we are preparing a road show to bring the findings to members' sales leadership.

Working closely with the IAB Podcast Committee, in June, IAB released the **Podcast Ad Revenue Report** in partnership with PwC that provided a first-of-its-kind, data-driven revenue analysis of the largest players in the podcasting industry. Key findings included that U.S. podcast advertising revenues are forecasted to skyrocket to more than $220 million in 2017, an uptick of 85 percent over the $119 million recorded in 2016. This was on top of an impressive 73 percent annual growth between 2015 and 2016.

IAB International

IAB International continues its commitment to support our members' global agendas while driving a strong and collaborative IAB Global Network, which includes 45 countries across six continents.

In June, IAB released results of a global study compiled from smartphone users from 18 countries titled **Always On – A Global Perspective of Mobile Consumer Experience**. A key finding was that nearly two-thirds (63 percent) of smartphone users worldwide use their device every 30 minutes or more, and over a fifth (22 percent) tap into their phones every five minutes. The research also shows that mobile web is preferred for functional tasks and utility, while mobile apps are favored for entertainment and social activities. These findings confirm the fact that omnipresent mobile usage is a worldwide phenomenon, which creates a tremendous opportunity for marketers.

The **IAB Global Summit** is a unique invitation-only event that gathered close to a hundred digital leaders from international brands, agencies, publishers, and ad technology companies, together with IAB executives from around the world to discuss and debate salient issues facing our industry globally and the opportunities for future growth. The two-day event took place in the IAB Ad Lab in New York on October 30-31, exploring the theme of "**Connecting the Global Dots: Marketers, Consumers, and Platforms**."

Events

In 2017, IAB updated our one-day event series to become more interactive, adding town halls in the general sessions where the entire audience can engage in discussion and debate around key topics. On May 17, the **IAB Programmatic Symposium,** themed "**Be Clear Now: Transparency, Brand Safety, and Growth in an Automated Era**," kicked off the series with a keynote from Michael Barrett, President and CEO, Rubicon Project, on the importance of transparency. Another of the event's key takeaways for the 270 attendees was that mobile advertising is now a key driver of programmatic growth. The event generated $322K in revenue and yielded a gross profit of $172K, a 53 percent margin.

On June 13, the **IAB Mobile Symposium,** themed "**Always-On: Surviving and Thriving in a Mobile World**," highlighted that we are moving from a "mobile-first" to a "mobile-only" world, with Alexa Christon, Head of Media Innovation at GE, explaining that key to GE's digital success was super-serving consumers using mobile as a platform, versus a straightforward, traditional mobile strategy. The audience of 180 attendees also heard from Lisa Schoder, Integrated Marketing & Media Lead at Ford Motor Company, about how Ford took a mobile-first approach to communicating its passion for innovation via a Virtual Reality (VR) channel. The event generated $242K in revenue and $105K in gross profit, a 43 percent margin.

Our third annual **IAB Podcast Upfront** on September 7 was a success again this year with an audience of 210 buy-side representatives, a 41 percent increase over 2016. Thirteen presenters took the stage to educate the audience about podcasts and showcase their programs. The recurring themes were the

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value of listeners' undivided attention and the positive results podcasts deliver for brands. The event generated $280K in revenue and a $190K gross profit, a 68 percent margin.

Marketing

In 2017, the marketing team focused its efforts on driving engagement with brands and marketers. More **brands and retailers** than ever attended IAB events including our new series of intimate, C-suite events, the IAB Leadership Dialogues in September. Also, the IAB Content Studio Showcase in October created a first-of-its-kind content studio marketplace and fostered insightful discussions between brands and our IAB members. We are creating opportunities for brand marketers to be more involved with IAB and our members, including benchmarking and brand best practices, all in an effort to increase involvement and fruitful discussions with marketers and media buyers. As part of the **IAB Marketers' Council Meeting** on October 26, IAB facilitated an intimate, candid, and solution-focused conversation between marketers and the Google/YouTube team on assuring brand safety in programmatic environments, protecting media investment, and winning the war on ad fraud. We also shared with the marketers gathered at L'Oréal New York headquarters some key lessons from our 2017 Digital Content NewFronts in a session on OTT and the new cross-platform video marketing landscape.

In addition to the PR coverage for all the above events and programs, our PR team secured coverage in MediaPost for the launch of the new **IAB Leadership Dialogues** series. And the IAB Content Studio Showcase story in Business Insider included interviews with several of the presenters. We also coordinated a special two-part email series with SmartBrief around brand safety.

Financial Management

Financial results through the second quarter of 2017 show overall revenue of $17 million, about 4 percent below budget. While IAB revenue is $661,000 above budget for the quarter, those gains were offset by shortfalls in the IAB Tech Lab and IAB Education Foundation revenue.

Throughout all divisions, we are managing expenses closely, both in the cost of services and overall expenses—regardless of revenue performance—and are reflecting a savings of $3.2 million combined, or 19 percent below budget year-to-date, and 9 percent below 2016. Net income year-to-date is $2.1 million better than 2016. Our goal this year is to deliver savings on the board-approved budget of $0 net income.

I am inspired by our progress and humbled at our ability to continue to deliver value to our members. I am also confident that IAB is well-positioned financially to deliver on its ambitious agenda for the rest of 2017—and for 2018.

This success would not be possible without the commitment from our esteemed board of directors and our members. Thank you for your ongoing support of this team and our efforts.

Respectfully,

Randall Rothenberg
President & Chief Executive Officer
IAB