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President's Report
January 24, 2016

Building Capabilities for Growth
By Randall Rothenberg

Throughout last year, we saw significant investments from the IAB Technology Laboratory, the IAB Digital Video Center of Excellence, the IAB Mobile Marketing Center of Excellence, and the IAB Education Foundation. We also launched a new organization, the IAB Data Center of Excellence, which aims to help the digital media and technology industry develop knowledge, practices, and standards in applying data to marketing opportunities.

All of these investments are in service of building capabilities for growth and paving the path to the next $50 billion in U.S. digital advertising revenue—an astonishing milestone but also an affirmation of the rewarding relationships that advertisers are effectively building with consumers through meaningful digital content.

IAB continues to press on advances in technical standards to combat fraud and piracy, support for education to ensure a healthy talent pipeline for our industry, and innovation in an ad product portfolio to keep pace with the needs of marketers and expectations of consumers. We also continue to respond in real time to marketplace challenges like ad blocking, with efforts such as the LEAN Ads Principles to guide the next phases of advertising technical standards and user experience for the global digital advertising supply chain.

As we gather for the 2016 IAB Annual Leadership Meeting in Palm Desert, California, we must work with our members to explore what obstacles need to be overcome and how the marriage of technology, creativity, and consumer insights will help us collectively make the leap to the next $50 Billion.

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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. These five enduring priorities are:

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

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

- Membership Services and Growth
- Public Policy
- Learning and Development
- Research
- International
- Events
- Marketing
- Financial Management

The Trustworthy Digital Marketing Supply Chain

Building Trust and Accountability
The Trustworthy Accountability Group (TAG), an organization created by the American Association of Advertising Agencies (4A's), Association of National Advertisers (ANA), and Interactive Advertising Bureau (IAB) to fight criminal activity in the digital advertising supply chain, announced an industrywide anti-fraud program, Verified by TAG, to fight digital ad fraud and bring new transparency across the digital ad ecosystem. Verified by TAG has two core and interlocking elements: the TAG Registry of Legitimate Advertisers and Publishers, which is now available for application, and a Payment ID system that will connect all ad inventory to the entities receiving payments for the ads.

LEAN
Good user experience is starting to frame the conversation of ad blocking in a positive way. After the initial LEAN Ads Principles were released last year, a large program was unveiled that is pushing research (both consumer and publisher), standards creation, and white paper guidance to the market. User experience is becoming a premium currency as we work to create a scoring system for publishers to use to optimize experience and for creative shops to use to develop digital advertising assets.

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Making Measurement Make Sense

IAB aspires for all media to be allocated and valued using common metrics, empowering marketers to create powerful cross-screen branding campaigns based on educated decisions and accountable investments. The Making Measurement Make Sense (3MS) initiative moves us closer to this goal.

In December, George Ivie, CEO and Executive Director of Media Rating Council (MRC), gave an update on measurement to the revitalized Blue Ribbon Task Force, the 3MS leadership body composed of members from the major media trade associations including the ANA, 4A's, and IAB. He emphasized that while 3MS has been making important, transformational changes, the long-term goal of 3MS has been and remains creating a cross-media currency based on viewable, human, valid impressions that are in-target for audience characteristics.

So far, digital measurement has gone from served impressions (prior to 2014) to today's currency, which is increasingly based on viewable impressions. Moreover, as viewable impression measurement refinements have been implemented, so have improvements in filtering invalid traffic.

A milestone is in the process of being achieved: The standard for **mobile viewability** is scheduled for release in the first quarter of 2016. To date, MRC has issued interim guidance on mobile viewability measurement and has collected impressions-level data for analyses to support the development of the standard.

Since the last President's Report, the MRC has also issued **Social Media Measurement Guidelines**. The IAB and its members as well as IAB measurement experts participated in development and writing of the guideline.

On Jan. 14, the IAB, ANA, and 4A's hosted a town hall session titled, **"The State of Digital Measurement 2016"** to brief the wider communities on the direction of measurement transformation in 2016. Viewability is *the* foundation for 2016 and underpins the development, writing, and release of digital and cross media audience-based currency. The aim now is to go beyond the traditional age and gender breaks to standardize some key data-based audience targets. Standardized, high-quality digital and cross-media audience-based currencies will alter how GRP products currently in market produce data and how media across all screens, including mobile and TV, are counted in a system of common currency.

At this month's IAB Annual Leadership meeting, IAB is releasing guidance for publishers on improving viewability. Shepherded by Senior Vice President Sherrill Mane and Shailley Singh of the IAB Tech Lab, a small group of operations and revenue optimization executives at member companies co-authored **"A Primer on Improving Viewability for Publishers."** Wisdom gained from months of testing measurement vendors, site redesign, retesting, and reforecasting to optimize for viewability. It's also consistent with the thinking underlying the LEAN Ads Program.

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Publisher Transformation

The full value of publishers' audiences must be realized, and diversified publisher revenue streams must become commonplace. These goals require adjustment to new technologies, new business processes, and new economics.

Harnessing the Power of Video and Advanced TV
The Digital Video Center of Excellence continues to grow and to execute an ambitious agenda designed to improve the buying and selling of video advertising across all screens in an increasingly liquid world. The Video Board and Buyers Advisory Board met in December to discuss topics focused on measurement.

The Digital Video Center also convened members of the Digital Video and Advanced TV committees in a new working group to create a **digital video glossary**. The group identified key video terms that require consistent, consensus definitions to help buyers and sellers understand the ever-changing video marketplace. The terms curated and defined by the working group will be published as a new IAB document in January. The working group will reconvene regularly to refresh the glossary and make sure it stays relevant as the industry continues to evolve.

Header Bidding
The programmatic space is always searching for new and innovative ways to access inventory and increase yield — such as this year's rise of header bidding. Header bidding, however, has not entered into the marketplace without its critics. At the Ad Ops Summit, Google and AppNexus launched into a spirited debate on our main stage. Though many publishers have adopted header bidding, and some reports claim that as many as 24 percent of the top 1,000 domains have header tags on their page, the practice is unstandardized and lacks industry guidance. The IAB Tech Lab has been approached by several member companies to adopt a header tag JS code as an open source product of the Tech Lab. The Tech Lab Board is doing its due diligence to evaluate header bidding and expects to continue to develop guidance in these areas through Q1.

Building a Case for Better Attribution Measurement
The Performance Committee convened a town hall conversation in early November to discuss how best to define the various forms of attribution in use today and to facilitate industry adoption of multitouch measurement solutions. The town hall generated significant interest, with over 100 participants in attendance, both in-person and remote from across the country. The event helped surface key business challenges that will inspire and guide a number of IAB 2016 efforts, led and coordinated by the IAB Performance Committee.

Establishing Rigor and Transparency in Social Media Metrics
On December 4, the Social Media Committee met to discuss the MRC Social Media Measurement Guidelines, which were developed in association with the 4A's and Word of Mouth Marketing Association (WOMMA). Ron Pinelli from MRC gave an overview of the guidelines, while Sherrill Mane from IAB and Peter Storck from WOMMA provided additional perspective and answered audience questions. The meeting ended with co-

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chair Carine Roman from LinkedIn leading a discussion on 2016 strategic initiatives for this committee.

Evolving IAB's Native and Content Marketing Coverage
IAB announced that the Content Marketing Task Force and the Native Advertising Task Force will merge into a new Native Advertising/Content Committee, reflecting the importance of these topics to the industry and IAB members**.** Although native advertising and content marketing are distinct areas, they are integrally linked to each other, and these task forces have worked hand-in-hand in past initiatives. This change takes effect in January, creating IAB's newest and surely one of its most prominent fully fledged committees.

Data as a Competitive Advantage
The Data Council released an update to the "Data Segments & Techniques Lexicon." Originally released in November 2011, this document aims to streamline the ad-buying process by giving relevant parties a common set of terms and collection methods around the use of data to create audience segments for online campaigns. The update also now includes mobile data.

<u>**Building Brands Digitally**</u>

Ad experiences must be as natural and meaningful as the content consumers expect and enjoy in the digital realm.

The Digital Video Committee collaborated with the Multicultural Council to hold a town hall titled **"The IAB Multicultural Video Mash Up."** This town hall brought to life the value of engaging multicultural audiences through demographic-specific advertising within video content and social media extensions. Speakers covered how digital video can reach Latino, African-American, and LGBT consumers and also included executives from Dieste, Facebook, Google, Identity, Magna Global, Target Cue, Twitter, and Unruly who shared best practices in the industry—how to tailor messaging, how to reach and inspire action, and how brands can showcase themselves for these different demographics.

On December 8, **Digital Content NewFronts 2016** preliminary schedule was released, and for the fourth year in a row, IAB will serve as managing partner. NewFronts is slated for May 2–13, 2016, in New York City. The schedule slots were filled rapidly this year and will consist of both incumbent content creators and new digital innovators who will be presenting for the first time.

Audio Makes Noise in Chicago
2015 was a banner year for audio and IAB's Digital Audio Committee. In November, we delivered on the third of our three Audio Day events for 2015, in Chicago. A jam-packed, half-day agenda of content and case studies was delivered to a full house of agency and marketing executives, followed by great conversation as people stayed for networking and an informal after-party. One buyer in the room said, "It's been a long time since I've

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attended an IAB event. This event is great, informative, valuable . . . Do you come to Chicago often? I would like to attend more IAB events."

Moving Mobile Mainstream

The Mobile Marketing Center of Excellence continues to foster the mobile advertising industry's growth on a number of fronts.

IAB released the report and infographic, **"Mobile and Gen Z/Millennial College Students."** The Mobile Center of Excellence partnered with member Qriously for this mobile-based survey project, which examines how college students think about their smartphones, usage relative to other devices, mobile shopping, and attitudes toward mobile advertising, among other things.

The Tablet Advertising Committee published its **"Tablet Playbook: Practical Advice for Tablet Advertising."** This playbook highlights the unique ad and engagement opportunities that tablets offer to media buyers, particularly relative to tablet video viewing, shopping, and professional or B2B activities and behaviors. It provides media buyers with practical advice on how to adjust messaging and targeting to realize tablet advertising's full potential in a larger media plan.

The Mobile Center also held the third and final 2015 **Make Mobile Work** webinar series in early December. This year's webinars covered mastering mobile video, cross-screen measurement, and promoting mobile apps with webinars showcasing our members' expertise for advertising decision-makers, attracting a cumulative audience of nearly 700 participants. We are currently surveying webinar participants and Mobile Center members to identify key topics for the 2016 webinar series.

IAB Operations: Expanding the Influence

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

Membership Services and Growth

With 80 new General Members and 26 new Associate Members joining since January 1, 2015, our current total membership is over 600 companies, without counting subsidiary members. Counting subsidiaries raises total membership to around 800 companies. Dues have reached a record $13.7 million, allowing IAB to underwrite both longstanding initiatives that serve the industry as well as new programs focused on current issues such as ad blocking, LEAN, and more.

Notable new members in 2015 include Oracle, SnapChat, and WebMD. The Long Tail Alliance now includes more than 1,160 members.

Below is a comprehensive list of new members:

Organization Name	Member Type
Adadyn	General
Adbrain Ltd.	General
Adform	General
AdGear Technologies Inc.	General
Adtile Technologies Inc.	General
AdVoice	General
Alliant	General
BlogTalkRadio Inc.	General
C1X Inc.	General
Cable One Advertising	General
Cedato Technologies Ltd.	General
Clear Channel Outdoor Inc.	General
Click-Video LLC	General
Cofactor	General
Coull Ltd.	General
DashBid	General
DGital Media	General
Emogi	General
Fluent	General
Genesis Media	General
Gimbal Inc.	General
Grapeshot	General
Haymarket Media Group	General
Imminent	General
Inneractive	General
ironSource Ltd.	General
JUICE Mobile	General
KBM Group	General
Kiosked Ltd.	General
Kochava Inc.	General
Legacy.com	General
LittleThings.com	General
LotLinx Inc.	General
Madison Logic	General
MeritDirect LLC	General
National Football League (NFL)	General
NeoReach	General
NovoRoll Ltd.	General
Oracle Corp.	General
PebblePost	General
Phluid Media	General

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Pinterest	General
Placester Inc.	General
PubNative GmbH	General
PushSpring	General
Qriously Inc.	General
Quixey	General
RebelMouse	General
ReelzChannel	General
RevJet	General
RockYou	General
Shareablee Inc.	General
SheKnows LLC	General
Site Tour Pty Ltd.	General
Skyhook Wireless Inc.	General
Snapchat	General
SteelHouse	General
Sublime Skinz	General
SundaySky	General
Tavant Technologies Inc.	General
The Guardian News and Media Ltd.	General
The Mobile Majority	General
The Onion Inc.	General
The Wireless Registry Inc.	General
Trivver Inc	General
Ubimo Ltd.	General
Uprising Technology	General
Ve Interactive	General
Venturist Media Inc.	General
ViralGains	General
WebbMason Inc.	General
WebMD	General
Wibbitz	General
Wikia	General
Woven Digital LLC	General
Yieldmo Inc.	General
ZEFR	General
Zemanta Inc.	General
6Sense	Associate
Acquia Inc.	Associate
Authenticated Digital	Associate
Avant Digital Media	Associate
Ayuda Media Systems, Inc.	Associate
Brandtale Inc.	Associate
ClarityAd	Associate

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Dell Inc.	Associate
F#	Associate
First Haven Media	Associate
Glassnetic	Associate
Innocean Worldwide Inc.	Associate
InstaBrand	Associate
Ipsos	Associate
Management Science Associates Inc.	Associate
Media Management Inc.	Associate
Netflix	Associate
PwC	Associate
RADS Media Inc.	Associate
Red Books LLC	Associate
RiskIQ	Associate
Sailthru Inc.	Associate
Sales Athlete Media Network	Associate
Secret Media	Associate
TiVo Research Inc.	Associate
Yavli	Associate

Public Policy

With the European Court of Justice invalidating the EU/U.S. Safe Harbor, IAB continued to advocate strongly in the Senate for passage of the Judicial Redress Act, an important legislative precursor to meeting European demands on Safe Harbor 2.0. Absent an approved method for transferring personal data between the EU and U.S., the nearly 100 IAB members availing themselves of the protections that the Safe Harbor offers and the billions of advertising dollars flowing between the two regions remain at stake. The issue continues to be a front burner focus of the Public Policy Office.

Slightly more than two years after holding its first workshop on Native Advertising, the Federal Trade Commission (FTC) issued "Guidance on Native Advertising." Though generally positive, IAB expressed significant concern about the specificity of the guidance in some areas, including a section on verbiage to denote native advertising in disclosures. In response to the release, IAB scheduled a joint meeting of the Public Policy Council, Legal Affairs Council, and Native Advertising Task Force for the first week of 2016 to evaluate the impact of the guidance and discuss next steps.

Learning and Development

The **IAB Certification** program closed out 2015 with another strong quarter with more than 1,000 candidates taking the Sales, Ad Operations, and Data Solutions certification examinations. International participation in the program continues to increase as well, with more than 10 percent of all exam takers are now outside the U.S.

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In addition, work has begun on a new certification program for digital agency buyers and planners. The exam will launch in Q2 of 2016.

Professional development programs also had a very successful year with more than 2,000 employees of IAB members receiving training in 2015.

The **IAB Education Foundation** added some big names to its board of directors. Facebook, Microsoft, and MediaLink now join AOL as founding members of the board.

The College of San Mateo has joined web-based UniversityNow in developing a training program for entry-level positions in Ad Operations, Data Analysis, and Sales Support. Classes will begin later in 2016.

Research

In a December 1 release to IAB members and members of the press, Senior Vice President Sherrill Mane and Nicolas Terlizzi, EY Media & Entertainment Advisory Partner, released a report called **"What Is an Untrustworthy Supply Chain Costing the U.S. Digital Advertising Industry?"** The report reveals that digital supply-chain flaws in the U.S. represent $8.2 billion dollars in lost-opportunity costs. The research was truly eye-opening, shining a light on the necessity of collaboration across the ecosystem to improve business practices. The need for ecosystemwide collaboration and holistic solutions such as TAG was driven home throughout the release, and the message was carried widely by the press.

Holiday Shoppers and Digital Influence Research
During the December shopping season, IAB released two studies and a blog post, written by Kristina Sruoginis, which highlighted the distinctions among age groups in their holiday shopping plans, mobile retail activities, and showrooming habits, as well as how digital media influences each generation's purchase decisions on top verticals such as clothing and electronics. Collectively, these reports ("IAB Digital Shopping Report" and "IAB Holiday Shoppers Playbook") illustrate how to best use digital and mobile media to effectively reach customers of every age group. They further provide useful guidance to marketers and advertisers on how to adjust media plans to better serve holiday shoppers in the top retail verticals of clothing and electronics. Key findings reveal that about three out of four U.S. adults planned to spend at least as much on clothing during the 2015 holiday shopping season as in 2014 and two out of three planned to spend as much on electronics as in 2014—especially 18–34 year olds. Consumers were also more likely to purchase using a tablet (35 percent) than a smartphone (28 percent), except for 18–34 year olds, who were more likely to do any retail activity on a smartphone and more likely to be influenced by digital and mobile media.

International

IAB International has grown more influential than ever in driving the interests of our members around the globe. The **IAB Global Network** now is made up of 44

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organizations across six continents and exhibits an energetic, collaborative working relationship.

With ad blocking having become an important topic for the industry throughout the world, IAB International and the IAB Tech Lab have worked with IAB Europe and IABs across that continent to develop a global charter, which will be featured at the International Breakfast during the IAB Annual Leadership Meeting. This common statement is a follow-up to a town hall discussion that took place at the IAB Global Summit on September 30. Also resulting from town hall discussions at the Global Summit, IAB International and the IAB Tech Lab held a webinar in December for international IAB organizations and their members to review and weigh in on the specifications for VAST, OpenRTB, and OpenDirect.

The IAB Certification program has seen tremendous growth internationally this year—close to threefold—and so has the adoption of IAB Training courses, which are now offered in Canada, Italy, New Zealand, and soon Singapore. The IAB Online Learning hub has also been extended to reach applicants from around the world with an incentive program that helps international IABs with registrations from their members.

Digital is a key driver of the European digital economy, as it is in much of the rest of the world, and IAB Europe illustrated its importance with a study titled, **"Paving the Way: How Online Advertising Enables the Digital Economy of the Future."** This report, released prior to the recent disappointing data protection decisions in Brussels, was created with IHS Technology and shows that €46 billion was invested in online advertising in Europe in 2014. In addition, the report stats that in terms of gross value added (GVA), a standard measure of the contribution to the overall economy similar to GDP, €22 billion is directly attributable to online advertising in the EU-28, and 0.9 million European jobs (or 0.4 percent of the EU-28 total) are directly supported by online advertising.

Working closely with IAB Singapore, we are exploring the creation of the first cooperative event to be conducted jointly by IAB with a local IAB to leverage our global thought leadership and IAB Singapore's regional profile and footprint. We plan to look for a date in late 2016.

Events

IAB events continue to be a convening platform for industry thought leadership as well as a healthy revenue source for the organization.

Last year was challenging for events in general, with a highly competitive landscape of look-alike events competing for sponsorship dollars and mindshare. Even amid the competition, the business generated $4.094 million in gross profit, exceeding our goal by 21 percent—a 25 percent increase over 2014. The crowded competitive landscape, however, impacted attendance, and we saw a 5.78 percent decrease. To combat this in 2016, we will expand into new markets and add new topics that capitalize on changing industry needs. Specifically, we'll hold the second IAB at Mobile World Congress

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conference in Barcelona and will launch two new events in the U.S.: an invite-only video thought leadership event hosted in partnership, and a **Data Summit** in New York City. IAB is also launching a global conference in Singapore in partnership with IAB Singapore in the fall.

In the second half of 2015, the **IAB Ad Operations Summit** saw a 6 percent increase in attendance over 2014 and included an expanded full-day event on Programmatic in Los Angeles in partnership with thinkLA. This event allowed IAB to reach a new audience, attracting 475 attendees and generating $120,000, a 50 percent increase over 2014.

Even in this competitive landscape, IAB events are positioned to succeed in 2016 with an improved portfolio, new markets, and a focus on differentiated content and sponsorship inventory, domestically and abroad.

Marketing

Marketing secured major press coverage for landmark IAB research, developed new member-centric content for IAB.com, and reached a major milestone in social media.

Leveraging the new IAB.com platform, Marketing launched an editorial plan to close out the year with a series of thought leadership pieces from IAB members reflecting on the accomplishments of 2015 while looking forward to 2016 and beyond. In total, eight committees and councils took part in the program covering a broad range of topics including B2B, education, games, native, programmatic, research, and more.

IAB Marketing hit a major milestone in social media on December 16 when the IAB Twitter account broke 80,000 followers. This represents 25 percent year-over-year growth. IAB's aggressive social marketing strategy has made it a significant leader in the advertising and media trade associate space. By comparison, the Twitter reach of the Mobile Marketing Association is 37,000 followers, American Association of Advertising Agencies is 32,000, Direct Marketing Association is 13,000, Association of National Advertisers is 11,000, and Digital Content Next is less than 2,000. IAB also leads all other marketing and media trade associations in reach on Facebook and LinkedIn.

Financial Management

IAB finances remain strong. The estimated financial results through December 2015 project a consolidated topline revenue of $28 million, $2.5 million ahead of budget and $4.8 million or 21 percent more than the same period in 2014. This was mainly because of the growth of dues revenues from the continuing reclassification of former associate member and another record performance of the **IAB Annual Leadership Meeting** in Phoenix last February.

Other programs, such as the Digital Sales and Ad Operations Certification, the Mobile Center, and the Video Center have all performed either on or above budget. We have also managed expenses, allowing IAB to deliver projected net income of $1.2 million in

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2015. We feel confident that IAB is well-positioned financially to deliver on its ambitious agenda for 2016.

I am pleased by our ability to continue to deliver value to our members and am grateful for all our progress this year. This would not be possible without the commitment from our members, and especially from our board of directors. I humbly thank you for your support of this team and our efforts.

Respectfully submitted,

Randall Rothenberg
President & Chief Executive Officer