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IAB BOARD OF DIRECTORS

President's Report May 31, 2018

By Randall Rothenberg

Following our successful Annual Leadership Meeting (ALM), the Spring of 2018 has been a pivotal period for IAB. The state of IAB is strong, and we are at the center of the trends that are shaping media, culture, politics and the future of marketing and commerce. The importance of a well-functioning IAB is more valuable than ever considering that digital advertising is now the largest advertising medium in the US as reported in the IAB/PWC Internet Advertising Report. With \$88B in yearly reported revenues, digital advertising recently overtook cable and broadcast television revenues combined. IAB has been helping to drive this growth by providing thought leadership, improving brand safety, building markets, and protecting the industry from potential regulatory exposure.

The major activities that IAB has undertaken since ALM have included both planned industry initiatives and efforts executed quickly in response to rapidly changing current events. The initiatives highlighted below represent IAB's most significant work. To see all of IAB's output since ALM, please refer to the new comprehensive appendix included for the first time at the end of the President's report.

These significant areas of activities include:

- Setting the industry's agenda at IAB's record-breaking Annual Leadership Meeting
- Engagement with brand marketers and the impact of IAB's "direct brand" research
- IAB's efforts to head off potential, deleterious government regulation as a result of the Cambridge Analytica data breach
- Preparation of IAB's members for the impact of the adoption of the General Data Protection Regulations (GDPR) in Europe
- Continuing to fight advertising fraud by releasing powerful anti-fraud technology
- Championing equality in the digital media and advertising industry at the first ever IAB Women Visionaries Conference

Setting the industry's agenda at the record breaking Annual Leadership Meeting

This year's ALM was recast, with key changes to the agenda and the audience composition designed to highlight the changing digital marketing landscape and to strengthen the conference's importance in a busy industry- event schedule. Over the past few years, our main stage has become the platform for industry leaders to send a message to industry leaders and set the agenda for the coming year. Like the seminal speech in 2017 by Procter & Gamble's Chief Brand Officer Marc Pritchard, Keith Weed, CMO of Unilever, stressed the importance of brand safe environments to advertise their products and services. The event itself focused on the rise of "direct brands" – consumer-facing companies characterized by their ability to create value through an open, "stack your own supply chain" and to extract value through their expertise at building direct consumer relationships – and their challenge to incumbent brands. The high-level audience at the conference included the largest representation by brands ever, representing \$27.1 billion in advertising spend. With major announcements coming from our stage, ALM drove significant press and social media coverage. Bylines included articles in New York Times, Business Insider, Ad Age, and others.

Engagement with brand marketers and the impact of IAB's Direct Brand research

In February, IAB released original research titled [The Rise of the 21st Century Brand Economy](#). This report documented the rise and impact of digitally savvy brands that leverage excess capacity in the global supply chain unlocked by the internet. These brands have used data driven digital advertising and

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media to develop direct relationships with their customers, thus bypassing traditional advertising, commerce and distribution to challenge traditional marketers in every industry vertical. This work was featured in over 20 stories in leading industry outlets including Business Insider, Axios and Ad Age. In recognition of these direct brands, IAB also released its first annual [IAB 250 Direct Brands to Watch Powered by Dun & Bradstreet](#).

To convene this new group of innovative marketers IAB reimagined its marketer outreach and established the IAB Brand Council. This new council will facilitate a dialogue between IAB members, traditional brand leaders and the experts at the forefront of the direct brands revolution. To kick this initiative off, IAB held invitation-only meetings and dinners in San Francisco and New York City with IAB members, founders, CEOs and brand executives. With more than 90 attendees, these events provided an opportunity for networking, knowledge exchange, inspiration and dialogue on topics ranging from podcasting and ecommerce to third party logistics (3PL), creativity and attribution. One chief revenue officer in attendance wrote us: "I just wanted to thank you again for the invite to join you guys for your Brand Direct dinner and session. I really loved it and left with a ton of ideas and a reminder of how critical this segment is to really making long-term growth a reality in this marketplace."

IAB's heads off potential adverse government regulation

IAB's public policy team leapt into action as Congress began increased scrutiny into the use of data in marketing and advertising when the revelations about Cambridge Analytica began to unfold. The team delivered a holistic story and positive message about the digital advertising industry to Congress through dozens of meetings before the scheduled hearings with Facebook CEO Mark Zuckerberg. Legislators were reminded about the robust self-regulatory programs for behavioral advertising that the Digital Advertising Alliance (DAA), a coalition of advertising and marketing industry leaders, including IAB, had established almost a decade earlier. Additionally, the D.C. team was able to point out the significant economic value of the digital advertising industry to the US economy by referencing IAB's seminal economic research conducted by Harvard Business School Professor John Deighton. As a result of this rapid response, the IAB team was able to convey a message that resonated with enough legislators to reassure them that our industry takes the protection of consumer data seriously.

IAB's efforts to prepare members for the impact of GDPR

The European Union's legal framework, the **General Data Protection Regulation (GDPR)**, is now in effect and is having a profound impact on publishers, platforms, advertisers, and brands. IAB has been working on this issue for many years from policy and technology perspectives. Since the time GDPR adoption became inevitable, IAB has been working with our members to navigate this critical change in the advertising landscape. In late 2017, IAB Tech Lab partnered with IAB Europe to develop the technical specifications for a guide we published called the [GDPR Transparency & Consent Framework](#). This framework was a cross-industry effort to help publishers, technology vendors, and advertisers meet the legitimate interest requirement, transparency and user choice requirements of the law.

To discourage US adoption of this law, the IAB policy team held briefings with the State Department, Commerce Department, and Office of the United States Trade Representative to provide input on the negative impact GDPR is having on U.S. businesses and to share guidance in advance of government-to-government dialogues. In an effort to keep members informed on the impending law, IAB also convened industry experts at the [IAB Tech Lab's GDPR/ePrivacy Technology Town Hall](#) in New York, San Francisco and Washington D.C. on May 25 called [Beyond Readiness: The GDPR – What to Expect After May 25](#). In addition, IAB hosted a webinar series with hundreds of members to answer urgent and tactical questions about this new regulation. All of this information is available at the [IAB GDPR Hub](#) which is updated regularly.

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Fighting fraud by releasing powerful anti-fraud prevention technology

Introduced in May 2017, ads.txt protocol continues to gain attention as a valuable and essential tool in fighting fraud and promoting growth. As publishers adopt ads.txt, buyers will be able to more easily identify the *Authorized Digital Sellers* for a participating publisher, allowing brands to have confidence they are buying authentic publisher inventory. Additionally, as of May 2018, IAB Tech Lab is now offering access to an [aggregation of ads.txt files](#) published around the internet as a wholesale replacement to managing individual company's crawlers. Ads.txt continues to get key media coverage across outlets such as Digiday, MediaPost, eMarketer and more driving ads.txt adoption by over 2 million domains as of May 2018.

Championing equality in the industry by convening the IAB Women Visionaries Conference

In response to the lack of female representation at the leading media and tech conferences, including the 2018 Consumer Electronics Show (CES), IAB established a conference to showcase women leaders in the digital advertising and media industry. The sold-out [Women Visionaries: Female Founders & Brilliant Bosses](#) conference convened top leaders in tech, media, and marketing to share lessons in leadership to advance women's career trajectories and give voice to insights not usually found at male-dominated conferences. There was a tremendous response to this highly anticipated conference, nearly 300 people attended and #IABVisionaries was a top-trending topic on Twitter. Due to its success we will be developing a series of satellite activities and events as well as establishing the Women Visionaries Conference as an annual IAB event.

IAB ORGANIZATIONAL SNAPSHOT

Financial Management

IAB has ended Q1 with net income of \$2.543 million which tracks close to budget. While we are seeing some softening in Learning & Certification revenue, we expect our new events portfolio slated for 2018 to make up some of the difference. Costs across the organization are being monitored closely to mitigate the revenue shortfall and Q1 is showing \$975K in savings.

Mandatory TAG Membership

In the wake of the brand safety controversies of 2017, IAB took advantage of developing industry sentiment and asked the Board to approve a change to our policies by which eligibility for continued membership in IAB would be contingent on a company's registration with TAG, the industry anti-fraud. IAB member companies were given until June 1, 2018 to comply. Most IAB members have joined TAG. Management is currently compiling a list of those in compliance, and will be offering a grace period to those not in compliance. We will update the Board on this initiative and its financial impact during the 3rd Quarter.

Membership

Recruiting new members is essential to IAB's value to the digital economy. The committees, councils, and working groups become even more robust as we bring in new vitality. Since February, we have added over 45 new members with an emphasis on areas which reflect emerging market opportunities and significant growth sectors for the interactive industry including augmented reality and virtual reality (AR/VR), artificial intelligence and machine learning, audio, and gaming. Renewal rates year-over-year for our largest members have continued to remain strong at 97 percent, with most turnover due to our industry's high level of mergers and acquisitions.

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Below is a comprehensive list of members added since February 2018:

- Ad Persistence
- AdBidCentral
- AdKernel
- Adstream
- AnchorFree
- Anheuser Busch InBev
- Apomaya
- AppSamurai
- Arrivalist
- BeAlive
- Codewise
- Essence
- Grabit Interactive Media
- Infogroup
- Inspo
- Invisibly
- MediaAlpha
- Mixpanel
- Mobcrush
- Nudge
- Philadelphia Media Group
- PlayBuzz
- Pluto TV
- PMG Worldwide
- PremiumMedia360
- Rocket10
- Rovio
- S4M
- Simulmedia
- Tapjoy
- Ternio
- Veritone One
- VidMob
- WBUR
- YourTango

I am grateful that we continue to deliver value to the industry and our members and confident that IAB is well-positioned financially and organizationally to deliver on its ambitious agenda for 2018 and beyond.

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 our team and our efforts.

Respectfully,

Randall Rothenberg
Chief Executive Officer

APPENDIX

Research

IAB Internet Advertising Revenue Report, Total U.S. digital ad spend reached a record-setting \$88 billion last year, according to the latest released by IAB and prepared by PwC US. This represents a 21 percent uptick over the previous year at \$72.5 billion and marks the first time in this report that digital ad revenues have overtaken television (broadcast and cable combined). In spite of all the recent changes, the state of our industry remains strong and IAB is committed to accelerating capabilities for monetization and growth.

Digital Content NewFronts: 2018 Video Ad Spend Study - Key findings include: Fifty-nine percent of marketers' digital advertising budgets are currently allocated to digital video, a consistent climb in share since 2016. Furthering the trend, more than 50 percent of buyers plan to increase digital and mobile video spending in the next 12 months, with the additional spend primarily coming from expanding budgets.

Digital Video and Brand Connections In 2018, original digital video (ODV) is estimated to reach 86 million Americans, 13 years and older, among which 72 million are adults (18+). ODV viewership among American adults has been on a steady rise from 45 million in 2013 to 72 million in 2018, a 60 percent increase.

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Digital Content NewFronts: 2018 Video Ad Spend Study. Released in April by [IAB](#). Furthering the trend, more than 50 percent of buyers plan to increase digital and mobile video spending in the next 12 months, with the additional spend primarily coming from expanding budgets.

Digital Video Viewers and Brand Connection – This report highlights the opportunity to leverage ODV as an advertising and engagement platform to reach digital video's younger, diverse, and tech-savvy demographic. The results show that ODV viewers report a higher level of brand engagement, ranging from paying a greater number of visits to a brand's site or brick-and-mortar store to participating in more social media and word-of-mouth buzz.

IAB Personal Prime Time Study – This study looks at the consumer journey through the lens of seven types of content (episodic shows, music, news, podcasts, short videos, social media, and weather) and identifies opportunities for brands to engage with consumers throughout the day during their own personal prime time.

Events

IAB @ Mobile World Congress IAB hosted the fourth conference in Barcelona on February 27 for our mobile partners and saw a 46 percent increase in attendance with a record 547 attendees, including 27 percent brands and agencies that represented nearly \$23.2 billion in brand spend. IAB brought together digital leaders on the cutting-edge of mobile advertising, including Kim Kadlec, Visa; Rosa Riera, Siemens AG; Mattias Santin, Uber; and many more. The event took a deep dive into building a 21st century mobile-always brand. Social media reach was 100,000+ with over 100,000 impressions.

IAB Digital Video NewFronts IAB brought the digital video marketplace together with the sold-out and wildly popular **IAB Digital Content NewFronts**, which ran from April 30 to May 4 in New York. The week delivered over 13 million impressions from coverage of brands and creative featured at the event. OTT and the Direct Brand Economy were key themes at the marketplace. Attendees saw Casper and Peloton creating TV-like ads for digital, ads with interactivity like voice or picture in picture overlays and shoppable video ads like those from Meredith.

IAB Video Symposium on May 8th emphasized what works and why in digital video. There was a 15 percent increase in attendance this year and 25 percent of the audience was from the buy side, while #iabvideo had 382 posts from over 100 users, delivering +100,000 impression and reaching +100,000.

Women Visionary Top leaders in tech, media, and marketing met to share great lessons in leadership and real-world takeaways to advance women's trajectories, and the workplace at large.

Data Demystified roadshow stopped in San Francisco on May 9th to provide best practices and help member companies and their partners build a more data-centric organization. Additional stops are planned in Q3.

Esports Showcase. To showcase the effectiveness of game advertising, the Game Committee held a showcase event, March 23, for 125 registered attendees at Unity Technologies HQ in San Francisco.

Whitepapers

Standard Addendum for Digital Video Advertising in TV Long Form Video (i.e. LFV Addendum) To address the technical and business issues specific to advertising in TV long-form video, IAB and the 4A's released the final version of the in March 2018. This will reduce the delay and expense in preparing multiple, custom agreements and ultimately to enhance the efficiency, growth, and competitiveness of the market for advertising in TV long-form video.

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[Guidelines for Identifier for Advertising on OTT Platforms](#) makes recommendations on how to maintain a high-quality advertising experience within over-the-top television (OTT) environments—advocating that stakeholders manage advertising-related activities through an identifier for advertising (IFA). The technical guidelines provided by IAB Tech Lab provides instructions on best practices for delivering targeted ads, as well as controlling ad frequency and rotation across a wide variety of disparate smart TVs, connected devices, and other OTT systems.

[Five Questions to Evaluate Your Customer Identity Providers](#), The IAB Mobile Center, Data Center and Tech Lab released [Five Questions to Evaluate Your Customer Identity Providers](#), a one-sheeter to directionally align the buy and sell sides with the right checklist and to help buyers decide which providers suit the needs of a particular brand or campaign.

[Demystifying Identifiers and Understanding Their Critical Roles in Advertising](#). To shed light on identity in a broader context, covering consumers, creative assets, and the businesses involved in the supply chain, IAB Tech Lab published a piece devoted to the topic titled [Demystifying Identifiers and Understanding Their Critical Roles in Advertising](#).

[Brining Programmatic Inhouse](#). Additionally, to help our members and the industry define the different types of solutions that can help take charge of programmatic platforms, IAB and the Data Center worked with our strategic partner, Accenture Interactive, to release [Bringing Programmatic In-House](#) on May 23.

[Blockchain for Video Advertising](#). IAB developed an in-depth whitepaper called [Blockchain for Video Advertising](#) that uncovers strong advertising based use cases for blockchain including increased efficiencies, a more trustworthy supply chain, as well as reducing cost and fraud for publishers and buyers. Since its publishing in February, this document has served as a critical resource for industry and has been referenced by numerous publications such as [ALIST](#), [AdAge](#), [MarTech Today](#), and [MediaPost](#).

[Marketer's Guide to Esports](#). IAB developed [Marketer's Guide to Esports: How to Get in the Game](#) to help explain how brands can capitalize on this growing market and evaluate its opportunities.

[AI Today](#). **Artificial intelligence** also represents new opportunities for marketers. A working group comprised of over 100 members contributed to the report [AI Today](#) which establishes basic definitions to help eliminate marketplace confusion and focuses on use cases with the goal of providing a non-technical buy-side reader to more easily compare disparate offerings on an end-benefit basis vs. getting caught up in definitional weeds.

[Interactive Voice for Marketing Purposes – Market Snapshot](#). To help our members make the most of voice technology on OTT and mobile, IAB also released the [Interactive Voice for Marketing Purposes—Market Snapshot](#) in mid May. This market snapshot focuses on consumer engagement with “interactive voice” which is defined as two-way audio communication between a human and a device, namely voice assistants and smart speakers, and explores the essential trends, themes and threats in this emerging and quickly growing space.

[Audio Strategies for Advertisers](#). On April 12, 150 brand and agency marketers filled the Green Space at WNYC in NYC's Soho for [Audio Strategies for Advertisers](#). The event focused on key issues facing marketers today, and solutions offered by digital audio platforms. Topics discussed included digital audio advertising case studies, research presentations, neuroscience of audio advertising, viewability/audibility and brand safety in digital audio, audio's opportunity with smart speakers, and best practices for excellent audio campaigns.

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IAB Content Studio Directory. To galvanize the industry, IAB invited all publisher members with branded content offerings to participate in a new **IAB Content Studio Directory** which will live on iab.com. This reference piece will include name, description, URL and key contact name, to help the buy side discover branded content offerings from traditional/digital-first publishers to podcasting and gaming publishers.

Training and Certification

Cross-platform Training for Buyers and Planners. – Launched on April 23 for both buyers and planners, the curriculum focuses on digital video and advanced TV ecosystems; audience-based planning strategies (including addressability and audience data sources); programmatic video buying; digital video creative considerations; video ad serving and trafficking best practices; as well as managing and reporting on video ad campaign success and optimization considerations.

Standards and Protocols

Open Measurement Software Development Kit (OM SDK). To accelerate the growth of mobile and promote third-party viewability and verification measurement for mobile in-app advertising, in April the IAB Tech Lab released its **Open Measurement Software Development Kit (OM SDK)**, a set of tools designed to seamlessly facilitate third-party viewability and verification measurement for ads served in mobile app environments—without various measurement provider SDKs and systems previously required. Market adoption of the OM SDK will support scaling in-app measurement, increase confidence and flexibility for buyers, and consolidate fragmented inventory. App publishers and Ads SDK providers can learn more about how to download, integrate and test the OM SDK [here](#).

Guidelines for Identifier for Advertising on OTT Platforms. Industry recommendations on how to maintain a high-quality advertising experience within over-the-top television (OTT) environments—advocating that stakeholders manage advertising-related activities through an identifier for advertising (IFA).

Data Transparency Framework 1.0 for public comment—guidance that outlines sourcing disclosures for those collecting data used to target, personalize, and measure digital advertising. The proposal will introduce ID-level transparency into a largely opaque marketplace where data segment composition is difficult to evaluate

New Global IABs

IAB Hong Kong
IAB Ukraine