



IAB BOARD OF DIRECTORS

President's Report February 10, 2019

By Patrick Dolan

For over a century, dominant consumer-facing companies created value through their ownership and operation of high-barrier-to-entry, capital-intensive supply chains. Today, all that has been upended.

We are in the midst of a shift from a century-old indirect brand economy to a direct brand economy. Brands characterized by their direct connections to consumers are disrupting the business model of market-leading brands, which is leading to a whole new way of doing business. And digital advertising—whether display, search or mobile video—is one of the most powerful mechanisms of all time for brands to build relationships with consumers. It's a truth upon which direct-to-consumer brands have built their businesses, and from which all businesses can benefit.

To survive, and thrive, incumbent brands and legacy publishers must overcome the economic disruption fueled by direct brands by finding new growth opportunities and partnership models – which is also the theme of this year's [IAB Annual Leadership Meeting: *The Theory of Revolution: Sparking Growth in the Direct Brand Economy*](#).

But with great opportunity, comes great challenge as well. 2018 was a long year for the interactive industry, with data breaches, privacy scandals, more widespread disinformation, and new regulations in Europe and California. Add to that industry consolidation plus the changes in consumer media consumption and purchasing behavior and you get a stark picture of the profound and mounting challenges and opportunities ahead for IAB members and the industry.

IAB has been addressing these challenges head-on as well as laying the groundwork for the future, which will include a consolidated media, marketing, and e-commerce landscape. IAB's ability to convene, educate, and build marketplaces is as strong as ever and we are also committed to building additional capacity to quickly respond to the rapidly-changing digital marketing and media environment.

The initiatives highlighted below represent IAB's most significant work since our last board meeting in October. The complete list of IAB's efforts is provided in a comprehensive appendix included at the end of this report.

Significant areas of activity this quarter include (see below for details):

- Supporting the growth of the direct brand economy
- Driving data solutions for 21st century brands
- Standardizing the digital supply chain
- Navigating digital video growth

Supporting the Growth of the Direct Brand Economy

As the world shifts from an indirect-brand economy to a direct-brand economy, legacy brands and their suppliers are struggling with growth, while more customized, data-enriched, consumer-centric brands are thriving. Marketers are struggling to keep up with the pace of platform evolution and mobility, and need to

learn how best to use the newest platforms. Helping our members thrive in the 21st century is the focus of all our efforts at IAB for our members.

Throughout 2018, IAB brought brands into the room, specifically digitally native vertical brands (DNVBs) to spark conversations with functional experts at the forefront of the direct brands revolution. The **IAB Brand Council** was a central location for research, development, and networking to help every company in the value chain learn and adapt. In October, IAB launched the [IAB Direct Brand Summit \(DBS\)](#) the first and only conference dedicated to direct-to-consumer (D2C) brands and the direct brand economy. The two-day sold out event kicked off in New York City with a packed house of hundreds of direct-to-consumer (DTC) brand executives, incumbent brand executives, publishers, and platforms. At the Summit, IAB's CEO, Randall Rothenberg, and ex-McKinsey researcher Mark Shmulik shared findings from IAB's inaugural **Direct Brands 2018 Founders' Insights**, a report based on [research](#) collected from surveys, a round table discussion, and one-on-one interviews with founders.

Among the key findings in the report:

- Direct brands are born to disrupt: 97% of respondents listed “category disruption” as their goal.
- Direct brands are not tech-led, they are marketing-led.
- 40% of direct brands position their products as premium but at a value price point.
- On average, direct brands can launch new products in as little as four months.

You can see a [full recap of the event here](#).

Driving Data Solutions for 21st Century Brands

Direct-to-consumer brands are fueled by data, devoted to performance and developing new ways of doing business. To drive the data agenda for the digital media, marketing, and advertising industry, IAB launched the IAB Data Center of Excellence in 2016 with the mission to define boundaries, reduce friction, and increase value along the data chain, for consumers, marketers, and the ecosystem that supports them.

For the third year in a row, the IAB Data Center of Excellence partnered with the Winterberry Group in an effort to better understand and quantify audience data applications among digital marketing practitioners. [The State of Data 2018: A Snapshot into the Evolving Role of Audience Insight](#) is a data benchmarking study that provides a state of the union perspective that practitioners can use to benchmark their current efforts and plan for the year ahead. In 2018, the study showed that U.S. companies are accelerating their spending on third-party audience data for advertising and marketing efforts. In 2018, American companies were projected to spend nearly \$19.2 billion on the acquisition of audience data and on solutions to manage, process, and analyze this data—a figure that represents a 17.5 percent increase from the prior year. This expected increase has occurred in part by the rise in programmatic advertising and in spite of increased scrutiny on the use of consumer data (provoked in large part by new and pending data use regulations) as well as concerns regarding the quality of commercial data sets.

The Data Center of Excellence capped off the year in collaboration with the Mobile Center of Excellence by hosting the [Data & Mobile Symposium](#). A highlight of this event was the 2018 [IAB Data Rockstar and Rising Star Award](#). These awards recognize outstanding work being done by data industry practitioners and encourage greater interest in the dynamic field of data science. Winners were selected by the Data Center of Excellence board of directors.

Standardizing the Digital Supply Chain

Maintaining a safe and efficient supply chain is key to sustaining growth in our industry. IAB and the IAB Tech Lab have released several protocols over the past several months that build on some of our best work over the years.

The IAB Tech Lab's **Open Measurement Software Development Kit (OM SDK)** has achieved tremendous support by measurement companies, global ad platforms, and major app publishers. Today, the OM SDK is at various stages of deployment across hundreds of thousands of apps, with a combined global reach of approximately [2 billion devices](#), on iOS, Android, and other platforms. A set of tools designed to seamlessly facilitate third-party viewability and verification measurement for ads served in mobile app environments, OM SDK simplifies and adds efficiency to a process that had previously involved various SDKs and systems.

Since the OM SDK's release in April 2018, the Media Rating Council (MRC) has expressed its support of the IAB Tech Lab's Open Measurement SDK certification program that ensures all parties are using this SDK correctly and uniformly. So far, 17 companies have been certified by the IAB Tech Lab and other companies are in the certification process. With in-app advertising viewability and verification simplified and made more consistent, brands can confidently and more easily buy mobile app inventory. IAB encourages buyers, sellers, and relevant platforms to update their systems to support OM SDK and pursue OM SDK-enabled media.

With podcast advertising estimated to hit revenues of \$402 million in 2018, its continued growth has been challenged by a lack of uniformity in measurement systems and metrics. Meaningful measurement has been thwarted by an inability to connect, track, and analyze user requests; measurement products that use dissimilar, proprietary algorithms; and a lack of an agreed-upon set of metrics and their meanings.

To address this challenge the Tech Lab launched the [Podcast Measurement Compliance Program](#), with NPR and Rawvoice/Blubrry being the first companies to earn the Podcast Measurement Certification. The IAB Tech Lab Podcast Measurement Compliance Program certifies that companies are adhering to the IAB Podcast Measurement Technical Guidelines, released in December 2017.

Navigating Digital Video Growth

Digital video continues its inexorable rise as the dominant way people want to consume media, whether it's on the internet, on a mobile device, or on a smart TV. Marketers and advertisers love it too: Digital video advertising revenue reached \$7 billion in the first half of the year, up 35 percent from a year ago, with 60 percent of this revenue attributed to mobile video.

Unlike on desktop, where cookies still serve as connective tissue for web advertising, in mobile and other devices, the persistence and acceptance of cookies can vary from device to device and across web and app environments, making them a less reliable method for identification. To shed light on the importance of identity management as an emerging practice for marketers in a cross-screen world, the Video Center partnered with the IAB Tech Lab to release [Guidelines for Identifier for Advertising on OTT Platforms](#) with 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 guidelines provide instructions on best practices for delivering targeted ads, as well as controlling ad frequency across a wide variety of disparate smart TVs, connected devices, and other OTT systems.

The Video Center closed out 2018 by convening 160 of the top publishers, ad tech enablers, marketers, and agencies to discuss the hottest topics within the video advertising ecosystem at the [IAB Video](#)



[Center Insights and Innovation Townhall](#) in New York City. During this half-day event, discussions covered a range of issues related to digital video and advanced TV including: The value of the ad-supported OTT viewer, how to make the most of your advanced TV campaign and how attribution works, how to organize successfully for a creative campaign, and how to navigate the fragmented ecosystem to create scalable/affordable creative.

To explore the next generation of video advertising standards and cross-platform ad delivery, the Tech Lab also held the [IAB Tech Lab Video Summit – Scale and Innovation through Standards](#) on December 12th in NYC. Leaders from across the digital video industry shared the latest releases and their visions for future development of global technical standards, opportunities in TV convergence, and how to reach your target audience with over-the-top (OTT) advertising at scale.

IAB Organizational Snapshot

Financial Management

According to unaudited 2018 financial statements, IAB finished 2018 with topline revenue of \$33.9 million, up from \$30.9 million in 2017. Membership dues revenue was projected to be \$16 million for 2018, up from \$15.7 million in 2017 and exactly as budgeted. Events at IAB in 2018 were projected to bring in \$7.1 million, 15 percent higher than 2017, and slightly above the budgeted \$6.5 million, thanks to a dynamic and newly created events portfolio including the successful NewFronts and the Direct Brand Summit. Overall, IAB managed expenses closely in 2018, which were projected to total \$28.1 million, and closed the year with a surplus of \$1 million.

Mandatory TAG Membership

Last year, 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 (Trustworthy Accountability Group), the industry anti-fraud. By now, all IAB member companies should be TAG registered or should have started the process with TAG.

Membership

Recruiting new members is essential to IAB's value to the digital economy. Our committees, councils, and working groups become more robust as we bring in new vitality through new members. Since October, we have added 23 new members with an emphasis on areas that reflect emerging market opportunities and growth sectors for the interactive industry. Renewal rates year-over-year for our largest members continue to be strong, with most turnover due to industry consolidation. IAB membership includes more than 650 leading media and technology companies, including 99 that joined in 2018. We thank all of our members for their support throughout the year.

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

- | | | |
|------------------|----------------------------|--------------------|
| AcquireWeb | Instreamatic, Inc. | Timehop |
| AdNode | IronSource USA, Inc | Traffic Steer |
| Allen Media, LLC | Location Sciences | Tubular Labs |
| Blockchain4Media | Luna Labs Ltd | TurboTax |
| Captivate | Maven | Versus Media Group |
| Duration Media | MediaRadar | Viamedia |
| GeistM | Powerinbox | Voxnest, Inc. |
| Healthline | The Atlantic Monthly Group | |

Patrick Dolan
President & COO
Interactive Advertising Bureau
116 E. 27th St. 7th Floor
New York, NY 10016
212.380.4717



I am gratified that we continue to deliver value to the industry and our members and am confident that IAB is well-positioned organizationally and financially to deliver on its ambitious agenda for 2019.

Our success would not be possible without the commitment from our Board of Directors and our members. Thank you for your ongoing support of this team and our efforts.

Respectfully,

Patrick Dolan
President
IAB

APPENDIX

Research

[IAB Internet Advertising Revenue Report](#)

This biannual study, now in its 23rd year, provides digital revenues by platform through ad type and shares the trends that will affect the coming year, released by IAB and produced by PwC U.S. This latest report revealed that U.S. digital advertising revenues for the first six months of 2018 soared to \$49.5 billion—the most advertisers have ever spent on digital media in the first half of a year. This represents a dramatic 23 percent year-over-year increase from the \$40.3 billion reported for the same period in 2017. Report analysis attributes the growth, in part, to the rise of the direct-brand economy and the related increase in mCommerce. No longer satisfied shopping solely in brick and mortar stores, consumers are embracing new digital-first, direct-to-consumer (DTC) brands or product lines that often do not appear in-store at all, driving advertisers and retailers to reach new customers via mobile.

[2019 Digital Audio Buyer's Guide](#)

Meant to help marketers understand the value of both streaming audio and podcasting platforms, in December the Mobile Center of Excellence released the 2019 Digital Audio Buyer's Guide. The guide contains current research on the medium as well as case studies from IAB Audio Committee members. Topics include an in depth look at digital audio's value proposition, as well as measurement, programmatic, ad units and ad creative, and much more. The guide was developed by a working group of audio committee members who wrote, edited, researched, and contributed to the content before a draft was sent out to the entire IAB Audio Committee for review.

Whitepapers & Resources

[A Marketer's Guide to Defining the Data Stack](#)

The Data Center of Excellence released a whitepaper, A Marketer's Guide to Defining the Data Stack as an output of the Data Benchmarks & Activation Committee. This is an in-depth educational examination into how both rising direct brands and mainstay traditional brands can identify their current place in the data ecosystem. Among the various topics covered, this primer presents an assessment criterion for understanding your current datasets, and how they relate to one another. The data assessment process considers the levels of online, offline and owned data to determine where your brand falls on the custom data matrix. Finally, this primer concludes with a glossary of three dozen valuable terms to help level set industry leaders in the current data vernacular.

[Guidelines for Identifier for Advertising \(IFA\) on OTT Platforms](#)

Recommendations on how to maintain a high-quality advertising experience within over-the-top television (OTT) environments, these technical guidelines provide 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.

[Digital Video Glossary](#)

Initially released in 2016 as a resource to provide buyers and sellers with a shared understanding of key video terminology, the updated version of the glossary released in December 2018 adds 18 new terms including AVOD (ad supported video on demand) and SVOD (subscription video on demand) and new video formats like skippable video ads, branded video content, and more. The Digital Video Glossary is not a one-time undertaking, but the beginning of an ongoing effort to keep the video industry on the same page with respect to the lexicon of terms used in business and communication. The efforts of the Digital Video Glossary Working Group will continue with the goal of providing a reference aimed at improving communication and efficiency while reducing the improper use of terminology.

[Opt-In Value Exchange Playbook for Brands & Case Study Showcase](#)

In December 2018, the IAB Games Committee published the Opt-In Value Exchange Playbook for Brands & Case Study Showcase. It is the first guide of its kind to provide guidance on creative delivery, what/how to buy, pricing, and measurement to help brands new to the space get started. This guide is designed to help brand marketers and their agencies identify the various opt-in value exchange advertising options available today and was created by 45 members from 25 companies.

Events

[Data Rock Stars 2018](#)

The Data Center of Excellence capped off the year in collaboration with the Mobile Center of Excellence as hosts of the IAB Data & Mobile Symposium. A highlight of this event was the announcement of the 2018 IAB Data Rockstar and Rising Star Award winners. The awards recognize outstanding work being done by data industry practitioners, encouraging greater interest in the dynamic field of data science. Winners were selected by the Data Center Board of Directors and were evaluated based on demonstrated excellence, creativity, or forward-thinking approaches to solving problems in data science, as well as the impact their contributions have made to their team, company, or the industry as a whole.

[IAB Video Center Insights and Innovation Townhall Event](#)

During this half-day event in New York City on December 11, discussions covered a range of issues in digital video and advanced TV, including: The value of the ad-supported OTT viewer, how to make the most of your advanced TV campaign and how attribution works, how to organize successfully for a creative campaign, and how to navigate the fragmented ecosystem to create scalable/affordable creative.

Standards and Protocols

[Open Measurement SDK](#)

The Open Measurement SDK (Software Development Kit) released in April 2018 is seeing wide adoption and is at various stages of deployment across hundreds of thousands of apps, with a combined global reach of approximately [2 billion devices](#), on iOS, Android, and other platforms. A set of tools designed to seamlessly facilitate third-party viewability and verification measurement for ads served in mobile app environments, OM SDK simplifies and adds efficiency to a process that had previously involved various SDKs and systems.

[Podcast Measurement Compliance Program](#)

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metrics and their meanings. With the Podcast Measurement Compliance Program, the IAB Tech Lab seeks to ensure these common challenges are addressed for the industry and our members.

Public Policy

DAA Political Ads Icon and the Maryland Board of Elections

In January, IAB represented our member companies before the Maryland Board of Elections during the implementation of the Maryland political ads law that went into effect in July 2018 to promote the DAA Political Ads Icon as a means of compliance. A U.S. District Court in Maryland preliminarily enjoined part of Maryland's new online political ads law, blocking its application to a group of newspaper publishers, who publish affiliated websites, and organizations that represent newspapers throughout Maryland. The lawsuit did not challenge the portion of the law that requires a signifier on political ads, so that provision remains in effect. Moreover, the Court observed that the publishers "have a legitimate grievance with a law that obligates them to cough up proprietary information about their customer base and the reach of their websites (information akin to circulation figures for traditional print media)."
