Are we bold enough?

Brian Gross
VP Digital Innovation

Emilio Chacón
VP Ancillary Revenue
No!

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Coatzacoalcos
So much opportunity…

Technology is there
- CRM
- Campaign management
- Execution channels
- True one-to-one marketing

Holding airlines back
- Leadership
- Time frames / urgency
- Organization / silos
- Budgets
- Bureaucracy
- Politics

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Heritage

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Aeromexico’s Digital Transformation

Mexico City

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TU CAMINO TE LLEVA
AL Sudeste Asiático
Ahora podrás conectar
con Garuda Indonesia

Compra tu boleto en: MÉXICO (ESP) MXN

¿Cuál es tu origen?

¿Cuál es tu destino?

Salida: Regreso

Precio Más Bajo  Pago Seguro

Comprar

Ciudad de México
CANCÚN
DESDE
$1,999 MXN

Ciudad de México
LÁS VEGAS
DESDE
$269 USD

Ciudad de México
VILLAHERMOSA
DESDE
$2,999 MXN

TSA PreCheck
Digital transformation 2015-6

- Ancillaries and merchandising
- E-commerce
  - Insourced, staff 5 → 80
  - New website, app, kiosks, chatbot
  - One API powers all!
  - Doubled Web as % of sales
  - Payments
  - Social media, influencers
  - Digital advertising tools
  - Analytics

Tulum

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3 case studies

1. Ancillaries
   Renta de autos
   Un #ViajerosExperto sabe dónde alquilar un auto. Aeroméxico te da acceso a tarifas preferenciales y además acumulas Puntos Premier sin necesidad de mostrar un vínculo.
   CONOCER MÁS

2. Payments
   AM Plus
   Es un #ViajerosExperto en el mejor lugar de PE. Utiliza la tarjeta de crédito más segura y más beneficiosa.
   CONOCER MÁS

   Ascenso Premier
   Un #ViajerosExperto en el mejor lugar de PE. Utiliza la tarjeta de crédito más segura y más beneficiosa.
   CONOCER MÁS

3. Chat

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Case Study #1: Reinventing AM’s Ancillary Strategy

Ancillary Revenue Results/Forecast 2016-2018

REVENUE PER PASSENGER

FLOWN REVENUE

• 2018 P.Pax  • 2017 P.Pax  • 2016 P.Pax

Jan  Feb  Mar  Apr  May  Jun  Jul  Aug  Sep  Oct  Nov  Dec

REVENUE PER PASSENGER


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Big pushes in the past year
Right customer is happy to pay at the right time for the right product

“Amazon Of Travel” Impose products

New approach: Advertisement

Symbiosis + Synergy

Irritate customers with 25 mandatory clicks

Charge for product that used to be free

Low-Cost Carrier

Usual Full-Service Carrier

Cabo San Lucas

What are ancillaries?
Challenge: Implement Ancillaries mindset

Ancillaries Symbiosis

- Restaurants
- Hotel reservations
- Checked baggage fees
- Car hire
- Onboard food
- Onboard merchandise
- Travel insurance
- Ground transportation
- Tours and activities

Products adding value
Stimulating Traffic

Previous Aeromexico Ancillaries

- Bus and rail tickets
- Hotel reservations
- Checked baggage
- Car rental
- Free/basic onboard food
- Onboard merchandise
- Travel insurance
- Airport transfers
- Tours and activities

Fees

Challenge:
Implement Ancillaries mindset

Challenge:
Implement Ancillaries mindset

FSC mindset

Premier
Ancillaries counterbalance the financial core of any business

A study by IATA (2014) found, positive correlation between airlines with a high percentage of ancillary revenue and airlines that benefitted from strong operating margins.
Changing the mindset sample case: 1st bag fee Mexico ↔ US / Canada

• Big challenge – convince internal clients for the 1st bag product

• Although business case was good, at play:
  ▪ AM’s prestige
  ▪ Potential customer base loss

Outcome:
• Success
• Revenue
• Competition followed
Concentrate less on the ticket, more on customers’ needs

The traditional legacy carrier

- Ticket
- Profitability on routes
- Small Margins
- High Costs

Customers’ needs

- Inspiration to travel
- Trip Products
  - Accommodation
  - Travel insurance
  - Ground transportation
  - Special events access
  - Shopping
  - Airport transfers
- At right moment
- Convenient channel

Example: new drugstore

- Medicine
- Food
- Notebooks
- Clothes
- Electronics

New Aeromexico

- Trip retailer
  - Gran Plan
  - AM Insurance
  - Car rentals
  - AM Concierge
  - AM Coupons
  - Rail/Bus/Private transport
- Personalised
- Trip profitability
AM Strategy:
Offer a Premium service ~ Nice to be charged

Strategy: Implement Freemiums (upsell not upset)
Payment architecture before Aeromexico.com

Cybersource

SABRE back end

3DS

Acquirer – MX

Acquirer – US

Issuing banks

Issuing banks

Issuing banks

Issuing banks

Issuing banks
Architecture now

3DS

Cybersource
Aeromexico.com
SABRE back end
Adyen gateway

Acquirer MX
Acquirer US
Acquirer Canada
Acquirer Brazil
Acquirer Eurozone
Acquirer UK

11 Acquirers (Central, South America)

Issuing banks

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Benefits of local payments

- In-country transaction = high acceptance
- Local currency = familiar
- No FX or foreign txn fee for customer
- Local instruments e.g. installments in Latin America = 30-80% of sales
- No more OTAs hosting “AM” sites → No commissions or GDS fees
Local payments boost sales

Europe Growth vs previous year (MoM, %)


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Must offer products that local market demands

Brazil

Transactions/day for AM.com Brazil (Jan–April 2017)

Offer 6 installments

Offer 12 installments

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Other tips and tricks

• Remove 3D Secure (US sales +65%)
  • Add back Dynamic 3D Secure
• Adyen dashboard lets us monitor and correct
• Multiple acquirers – adjust % volumes, retry
• Keep adding countries and payment types
  • Latin America – countries, installments, cash
  • USA – Instant loans (e.g. Affirm or Uplift)
We were focused on Web, mobile, social, but meanwhile…
Mexico is crazy for messaging…

#1 app in Mexico
WhatsApp

#5 app in Mexico
Facebook Messenger

ESCRÍBENOS POR
whatsapp
(777) 511 4892

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Then 3 things happened...
Messenger bots launched

AI

Aeromexico API

Kiosks

Web

API

Q2 2016
Partner
Yalochat.com

Live bots:
• Aeroméxico
• Walmart MX
• Elektra
• Coppel

• Facebook partner
• Early testing
• Featured at F8 2017
• Mexico City / Guatemala

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So we launched services on Messenger:

1. Simple chatbot, no AI
2. Search flights (buy on mobile Web)
3. Track flights
4. FAQ
5. Request human agent
Now, most functions of any airline chatbot
(Spanish m.me/AeromexicoMX)

- Ask any Question
- Flight deals of the week (push)
- Shop/buy flights
- Check in & boarding pass
- Track flight
- Flight push notifications
- Recommendations (hotels, restaurants, etc.)
The killer app: customer service

Phase I – April 2017
NLP Q&A, Spanish
Neural network trained on 4 months worth of conversations
Quick answers, links, chat functions (check in, flight search etc.)
System learns - AI
m.me/AeromexicoMX

During campaigns promoting Aerobot, 10% of the total questions coming into AM (calls, emails, tweets, etc.) were automatically handled by Aerobot

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>How much is a flight to London?</td>
<td></td>
</tr>
<tr>
<td>How much luggage can I take?</td>
<td></td>
</tr>
<tr>
<td>How do I get a job at Aeromexico?</td>
<td></td>
</tr>
<tr>
<td>My suitcase didn’t get here</td>
<td></td>
</tr>
<tr>
<td>Is my flight on time?</td>
<td></td>
</tr>
<tr>
<td>Do I need a visa to Canada?</td>
<td></td>
</tr>
</tbody>
</table>
Check-in and push notifications for your flight

m.me/AeromexicoMX

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Flight deals of the week

m.me/AeromexicoMX
We’re in the global press and winning awards, and on the radar of Facebook global product mgrs.

Aeromexico featured as a leader in Messenger at Facebook global conference (F8) 2017, the only Latin American company.
WhatsApp #1 app in Mexico

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Sep. 5th 2017, WhatsApp announced pilot of enterprise-scale customer service

*Multiple* agents connected to *one* WhatsApp service phone number

Aim = a great personal experience
  - not pushing bots or AI per se
  - fast, efficient and personal service channel

Service-related, nothing *soliciting* sales

Aeromexico is participating in the pilot currently with external users
Customer service:
Text and multitask (or relax) – vs. – call and wait…
Just ask

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Ask question → Determine intent

Bot Answer to FAQ
Bot Task: Search flight
Check in
Track flight

Human service agent
Human sales agent
Chat platform architecture

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## Benefits

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Answer simple questions quickly</td>
<td>↑ NPS*</td>
</tr>
<tr>
<td>Pause and resume conversations</td>
<td>↑ NPS</td>
</tr>
<tr>
<td>Customer feels closer to AM</td>
<td>↑ NPS</td>
</tr>
<tr>
<td>Staff can attend more complex cases</td>
<td>↓ cost</td>
</tr>
<tr>
<td>High-frequency touchpoint - upsell</td>
<td>↑ sales</td>
</tr>
<tr>
<td>Brand “Aeromexico” seeks tech-forward solutions</td>
<td>↑ NPS, sales</td>
</tr>
</tbody>
</table>

*NPS = Net promoter score, measure of customer satisfaction

Ciudad del Carmen
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Digital innovation

Lab 7

Aeroméxico continues its digital transformation. Reaching out to startups and other partners to provide a launchpad for new, innovative ideas.

It’s time to

drive innovation in the travel experience.

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Emphasis on Artificial Intelligence

CMS → Campaign design → Intelligence <-- Execution e.g. Albert*, Persado* → Digital advertising e.g. Boxever*, Salesforce → Email marketing e.g. Boxever*, Optimizely → Web site personalization → Chat push → Analysis

*examples from the market, not actual AM partners

Ciudad Juárez

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Thank you

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