12th Ancillary Merchandising Conference – Edinburgh 2018
Lead Sponsor
A new frontier in Revenue Management

Post-sale Inventory Management

Presented by: María José Vicencio & J. Newman
About us

Unique and leading presence in South America
Revenue Management in challenging and competitive scenarios
South America has become one of the most competitive and challenging markets

Market complexity

Economic growth varies among countries

Multiple currencies with strong fluctuation
Executing a granular approach in a diverse environment

- Low Cost Model in Short Haul
- Full Service in Long Haul
- Moved from a dual into a single PSS
- Multi carrier and aircraft type
- Multi HUB and Connecting Network
- Multi Channel Distribution Strategy
Our secret move

Create a SWAT team to challenge the status quo

Revenue Innovation Group

“LATAM’s competitive advantages are now borne from this unit (creative engine), generating revenue (efficiently) through knowledge, technology and innovation”
From “Mr. Propre” to “Exchange Rewards”
It all started with 2 flights...

SCL-CJC LA 140 04:50
CLOSED 105%

Vs.

SCL-CJC LA 142 05:30
Availability Booked LF

V class 82%

Significant performance difference just 40 minutes away
The problem

It really happens, all the time

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<th>27NOV</th>
<th>MON</th>
<th>SCL/ADT</th>
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The problem

Spilled revenue, high compensation costs and customer dissatisfaction

High-yield demand

DB compensations
Passengers agreed to be re-accommodated?

An uncommon “win-win” situation could be initiated in this industry.
We launched a pilot to prove (or disprove) the concept

"Mr. Propre" project

Reward pax to move

Manual execution

Trial and error
More passengers than expected accepted the flight swap!

“Are you willing to move to an alternative flight?

You could get back ~125% of the initial fare paid in the form of a voucher or KMs”
Concept validation, valuable learnings and a very profitable pilot!

Results

<table>
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<tr>
<th>Reaccom Fare (USD)</th>
<th>Issued Fare (USD)</th>
<th>Net Revenue (kUSD)</th>
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<tbody>
<tr>
<td>112</td>
<td>66</td>
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<td></td>
<td>714</td>
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- $2,9X$ increase
- $6,3X$ increase

41 flights, 89 open seats, ~2 months

933 flight, 3614 seats, ~6 months

Issued Fare (USD)  
Reaccom Fare (USD)  
Net Revenue (kUSD)
LATAM estimates the Revenue Optimization opportunity for the industry to be ...

$\approx 1-2$US per passenger
From a simple pilot to a scalable solution

Next steps were set

Design and virtualize the optimal procedure

Measure the potential biz case and opportunity

Exchange Rewards

AUTOMATE

Mr. Propre

PILOT
How to build the solution we need?

Partner with the right tech provider

- Talented team
- Proven technology
- Integration experience
- Agile innovators
A new frontier in Revenue Management
Our mission

Improve the airline industry through technology
A team of innovators passionate about airline and technology

About us

Most Innovative Loyalty Technology
Top 100 EU Startups
IT Innovation of the Year
Disrupted by Mobile Competition Winner
NDC Hackathon Winner
Most Innovative Distribution Solution
Most disruptive startup

Ancillary Revenue Conference, 9th – 11th April 2018
Pioneering Post-Sale Optimization for 7 years

Ancillary Revenue Conference, 9th – 11th April 2018
ALISEO, the merchandising platform powering Caravelo solutions

- REST API connection to be used in any front-end (B2C and B2B)
- Base product line assets to assemble in customer plugins
- Host and enterprise systems abstraction layer
- Infrastructure and gateway connectors
The next generation approach to Post Sale Optimization

Building Exchange Rewards
Consultation and definition

Efficiently sell far beyond the overbooking limit

From “MOVE TO SELL”...

Proved to be the most successful model to adopt

to “SELL TO MOVE”

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This is hard

Re-engineering our technology and the process for the LATAM approach

Alignment with RM team practices and systems

Real time integration to overcome system complexity at scale

Technical flows and user experience improvement
The secret source

Detail on the flow

Target Flights
Design campaign
Open seats
Monitor sales
Contact passengers
Move & Reward

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Detail on the flow

Ad-hoc or programmatic definition of “target” flights to address

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Detail on the flow

Only when feasible: if alternative flights and eligible passengers are identified in advance.
The secret source

Detail on the flow

- Target Flights
- Design campaign
- Open seats
- Monitor sales
- Contact passengers
- Move & Reward

Increase Overbooking levels adjusting the flight capacity

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The secret source

Detail on the flow

- Target Flights
- Design campaign
- Open seats
- Monitor sales
- Contact passengers
- Move & Reward

Track additional sales to build the business case

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The secret source

Detail on the flow

Target Flights  Design campaign  Open seats  Monitor sales  Contact passengers  Move & Reward

Send small batches of targeted passengers and wait until they react.

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Enable passenger self-service for flight and reward type selection.
Never stop selling

Continuous flow

1. Design campaign
2. Open seats
3. Monitor sales
4. Contact passengers
5. Update campaigns
6. Move & Reward
7. Target Flights

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The blueprint for success

1. Identify and size the opportunity
2. Align your organization and commit to do it
3. Work out the right model for you
4. Don’t be afraid to execute
The journey from product to industry standard

PILOT > AUTOMATE > LEARN > SCALE > OPTIMIZE

Virtualize the current procedure
Measure the potential biz case and opportunity
Build meaningful and comprehensive offering
Deploy the service at scale and across the network
An optimal tool to serve a dedicated RM practice

We are here
What will Exchange Rewards lead to?
Broader use cases

One technology, multiple applications

- Exchange Rewards
- Irregular Ops and Canx
- Upsell direct
- Bumping and DB ops
2-speed team to maximize performance

**Revenue Management**

“Selling the right product (seat), at the right price, to the right pax, at the right moment, ...”

+ Operational Research / Forecasting models

**Revenue Optimization**

“Re-Selling the right product (seat), with the right incentive, to the right pax, at the right moment, ...”

+ Artificial Intelligence / Recommendation Engine
Complete Flight Optimization

We are committed

All Post-Sale scenarios

One single platform
We are here to change the industry with you

Starting with Exchange Rewards