Best-in-class Pricing Intelligence solutions for airlines

Unleash your full potential, make Pricing strategic again!

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Apr 15, 2020
The New Context
COVID-19 has had a heavy impact on the Airline Industry. IATA has estimated a loss of 252 Billion in Revenues for 2020 vs 2019. A rebound in 2021 is imminent though.

<table>
<thead>
<tr>
<th>REGION OF AIRLINE REGISTRATION</th>
<th>% CHANGE IN RPKS (2020 VS. 2019)</th>
<th>EST. IMPACT ON PASS. REVENUE 2020 VS. 2019 (US$ BILLIONS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>-32%</td>
<td>-4</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>-37%</td>
<td>-88</td>
</tr>
<tr>
<td>Europe</td>
<td>-46%</td>
<td>-76</td>
</tr>
<tr>
<td>Latin America</td>
<td>-41%</td>
<td>-15</td>
</tr>
<tr>
<td>Middle East</td>
<td>-39%</td>
<td>-19</td>
</tr>
<tr>
<td>North America</td>
<td>-27%</td>
<td>-50</td>
</tr>
<tr>
<td>Industry</td>
<td>-38%</td>
<td>-252</td>
</tr>
</tbody>
</table>

The Rebound
There are different possible rebound scenarios, but it’s certain that people will start traveling again, there will be a strong battle between Airlines to regain market share, and probably, demand behavior will change

**Expected short term effects**
- **Intensified pricing and demand stimulation activity while Airlines battling to recover pre-crisis load factors**
- **Price wars and historically low price levels across all demand segments**
- **RM systems with distorted, useless historical information**
- **Pricing takes the lead while yield management waiting for higher load factors**
- **Initial demand increases due to accumulated, postponed trips**
- **Higher recovery rates in domestic than in international routes**
- **Lower price elasticities**
- **More fare flexibility**

**Expected longer term impacts**
- **Airlines battling to recover their pre-crisis market shares**
- **Fewer corporate passengers, smaller average elasticities**
- **Yields recovering at a slow pace**
The Strategy
Airlines will need a revised commercial process to navigate through price wars and subsequent stabilization of market prices. We foresee at least five steps.

### Relevant concepts

- Industry rebound profile and growth rates
- Competitors’ strategies
- Demand behavior
- Markets’ health safety contexts
- Short term vs long term trends

- Reactive Pricing
- Proactive Pricing
- Revenue Management calibration
- Demand segmentation conditions
- Ancillaries

- Hypothetical scenarios
- Outcome of different strategies
- Game theory
- Sensitivity analysis

- Monitoring of competitors’ actions and reactions
- Monitoring of market information
- Agile filing process

- Strategy results
- Rapid thinking
- Efficient decision making
How Airnguru can help
Various tools -used by current customers- can greatly facilitate Execution. Airnguru can also provide and adjust experimental tools that may be very beneficial during the strategy definition stage.

**Understand and predict**
- Markets knowledge
- Assumptions on how the Market will behave
- Competitor’s profiles

**Design strategies**
- Support to the pricing teams

**Simulate scenarios**
- **Airnguru Simulator**: Agent Based Models Pricing and RM strategy simulator

**Execute**
- **Fare Monitoring with near real time alerts**
- **Price Execution Suite**

**Re-evaluate & adjust**
- **Price Awareness Suite**
- Aggregated fare information to understand trends and strategy effects

*Experimental stage*
Fare Monitor module will help the airline quickly detect any price movement (including those of any fare rules / categories or footnotes that affect the applicable price at any demand segment) that disrupts its competitive position in any relevant market, thus allowing for timely reactions and reduced revenue exposure.

Fare Monitor also provides a business rule feature allowing the user to set alerts that will trigger automated emails each time a competitor moves a pre-set fare restriction, footnote or amount.
In order to forecast the potential impact of different pricing strategies (and RM algorithms) on revenue, we developed an Agent Base Modeling (“ABS”) simulator. We have used this tool to test some of Airnguru’s hypothesis behind our value proposition to airlines. We believe we can now use it to help airlines evaluate different approaches to face the rebound.

The simulator runs multiple carriers with different pricing approaches, different reaction times and different RM algorithms.

For now the simulations run over just one leg, but with more work we can start simulating more complex networks.
The Team
We are a team of Pricing & Revenue Management experts, along with Cloud & Big Data experts, fully dedicated to airline pricing technology

Airnguru’s leadership team

Our leadership team gathers decades of deep experience and skills in the relevant fields of airline pricing and commercial systems, and Big Data

Sergio Mendoza, Ph.D.
Cofounder & CEO
- Ph.D. Theoretical Particle Physics
- M.Sc, Electrical Engineer, B.Sc
- 18+ yrs in Pricing & Revenue Management, airline commercial systems, innovation, entrepreneurship, R&D
- 10 yrs at PODS Revenue Management Research Consortium @ MIT
- Strong network of relevant contacts in the airline industry

Daniel Pizarro
Cofounder & CTO
- M.Sc., Computer Science Engineer
- 12+ yrs proven experience in Big Data applied to Astrophysics, Telco, Retail and Airlines
- Expert in AWS and Google clouds

Javier Jimenez
CCO
- MBA LBS, M.Sc., Electrical Engineer, B.Sc.
- 9+ yrs experience in Pricing & Revenue Management, sales, R&D, airline commercial systems, innovation, entrepreneurship
- 3 yrs at PODS Revenue Management Research Consortium @ MIT

Magnus Oskarsson
Ex Founder & CEO
Calidris
(Adquired by Sabre in 2010)

Pablo Godoy
Cofounder & Executive Director Inzpiral
CEO Frogmi
Endeavor Entrepreneur

Advisors

✓ 12 Computer Science Engineers organized in reproducible "cells"
✓ 1 UX & Design expert
✓ 4 Pricing & Revenue Management experts

+ R&D, + Product, + Sales teams
Thank you