AIR.
PM

Integrated Marketing Planning

CHRISTOPHE RITTER | PREDICTIVE MOBILITY

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Date:

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Name (Print or Type): RITTER CHRISTOPHE

Signature:

Date:

INTRODUCTION

Introduction

- The objective of the enclosed document is to present the business plan for the development of a decision support system called AIR.PM by Predictive Mobility Holdings Limited (the Company)

  - Predictive Mobility is a limited company registered in Cyprus on June 3rd 2010 under the registrar id HE 268325 with a capital of 50,000 euros.

  - Predictive Mobility has been founded by Christophe Ritter, an experienced airline executive and consultant with Air France, Delta Air Lines, Etihad Airways, Avianca, or Aeroflot

  - Predictive Mobility provides a broad range of aviation marketing consulting services to airline and airport customers, including but not limited to the Cyprus Minister of Communications and Work, Aeroport de Paris-Beauvais, Aeroport de Paris-Vatry, Federal Passenger Company Russian Railways, ECTAR, Air Botswana, Price Waterhouse and Cooper, Leigh Fischer International, etc.

Introduction

- The objective of AIR.PM is to meet the requirements of the regional and medium sized carriers (from 0 to 25 aircrafts) that needs to optimize both the utilization of their assets while enhancing their passenger and cargo revenue generation

  - Currently a duopoly of large IT providers address this market with a complex set of solutions and to the sole benefit of large network carriers than can afford the cost of ownership and maintenance of such systems

  - On the other hand, in-house and small development shop provides affordable systems, but limited in scope due to both and either their limited number of customers and underfunding and or their tailor-made specifications for the unique usage of an airline

Introduction

- Our objectives are to:

  - BUILD an integrated and scalable AGILE MARKETING PLANNING suite, providing scheduling, network planning, dynamic revenue management and market intelligence

  - TARGET the vast market of SMALL TO MEDIUM CARRIERS with more than 5 and less then 25 aircrafts, representing more than 80% of the +800 worldwide carriers

  - FOCUS on MARQUEE PARTNERSHIPS to establish our company in the market

  - Rapid PRODUCTION using OPEN SOURCES software with FREQUENT NEW RELEASES to keep customers momentum and satisfaction through continuous value for money over the contractual period

MEETING THE EVOLUTIONS OF THE AIRLINE BUSINESS

WHY CUSTOMER BEHAVIOR CHANGED DRASTICALLY OVER TIME AND AIRLINES NEEDS TO ADJUST THIT PLANNING STRATEGY

1970's

REGULATION

EVOLUTION OF TRANSPORT –
BACKGROUND

AUTHORITY

OPERATOR

USER

MINIMIZE OPERATIONAL COSTS

1990's

LIBERALIZATION

EVOLUTION OF TRANSPORT –

BACKGROUND

TIGHT CONTROL

BRAND AND EXPAND

CLIENT

HUB AND SPOKE – SCHEDULING PLANNING

2000'S

LOW COST

EVOLUTION OF TRANSPORT –

BACKGROUND

REGULATE

PRODUCT FOCUS

CUSTOMER CENTRICITY

DYNAMIC PRICING AND NETWORK

2010'S

E-REVOLUTION

EVOLUTION OF TRANSPORT –

BACKGROUND

SAFETY & SECURITY

DIFFERENTIATE

SMART COUCH

BUTTS IN SEATS

2020'S

DIGITAL UTILITY

EVOLUTION OF TRANSPORT –

BACKGROUND

SAFETY & SECURITY

SURVIVE

META SEARCH

BE AGILE !

2020'S

DIGITAL UTILITY

EVOLUTION OF TRANSPORT –

BACKGROUND

THE CHALLENGE

- Transportation companies are still handling their marketing process in a sequential perspective, 80's like
    - PLAN – DO – CONTROL
    - SCHEDULE – PRICE – SELL

- But customers are acting in a disruptive way since they have more information than the carrier itself, 2020's like

- Marketing Planning process needs to be reset, inserting dynamism in resources planning and allocation to adapt to a continuously evolving market environment

AIR.PM

Development from Q1 2016

Release 1: Available end Q2 2016

THE SOLUTION

- Agile Marketing is the natural evolution of the marketing planning activities for the airlines, already implemented with large lo costs such as Ryanair, Air Asia, GOL, or Southwest Airlines

- Our solution provides a 360° view for the management, on the competition, route network definition and pricing, with continuous interactive optimization of the aircraft allocation to meet the ever changing market demand from the airline customers

**AIR.PM: Leveraging your Intelligent Routes System**

AIR.PM

OUR STRATEGIC PERSPECTIVE

Vision

- **Our Vision: Big Intelligence** for **Agile Marketing**

- Bringing agility in transportation marketing planning activities to be at the forefront of the competition within a continuously evolving market environment by providing a *common decision making solution* from strategic to tactical and operation to all the airline commercial stakeholders

- **Our Business**: Making **affordable** the next generation **airline marketing planning** suite for the **transportation** industry
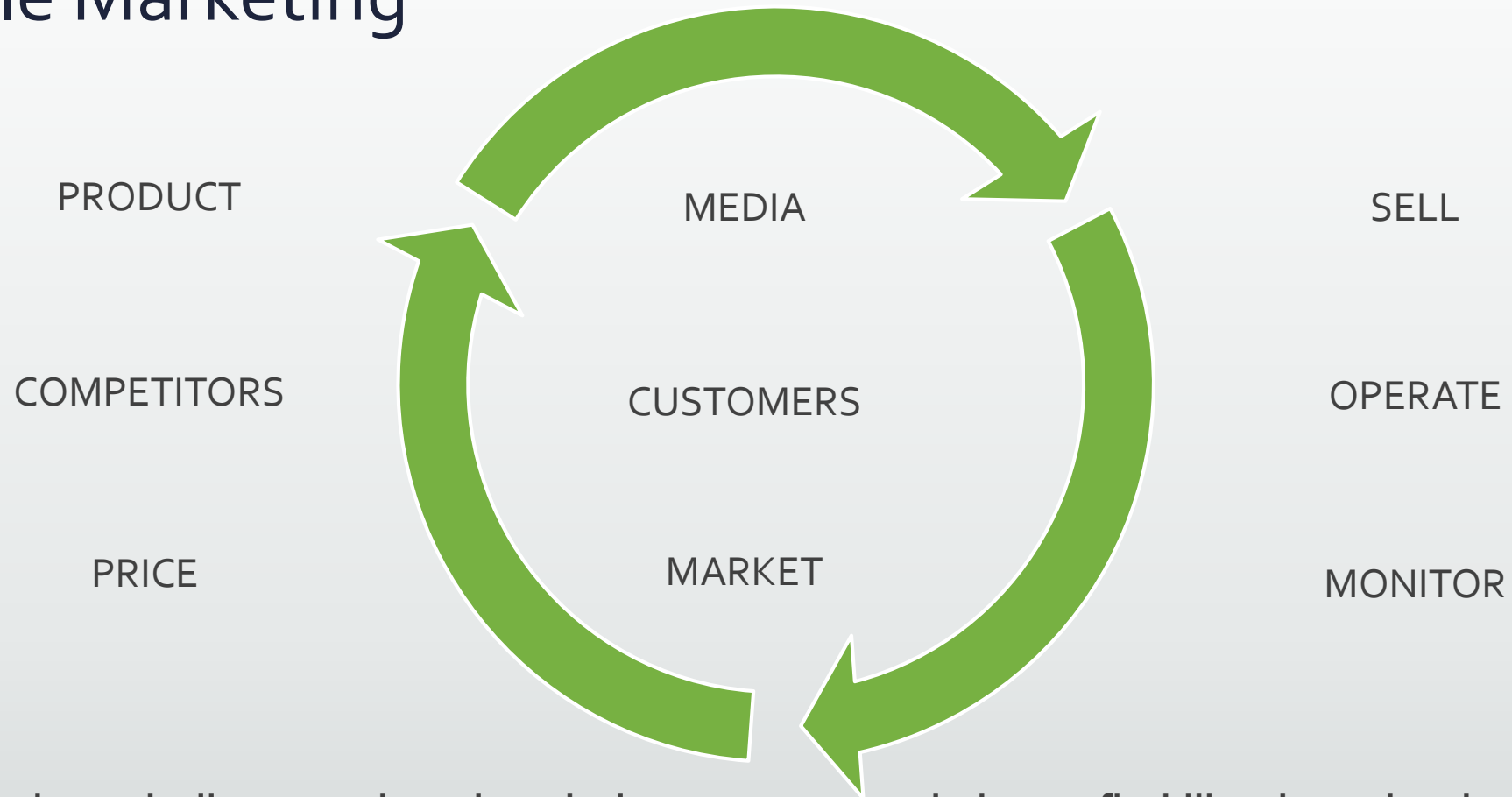
AIR.PM, Agile Marketing for Transportation

- INTELLIGENT

  - Market intelligence: historical capacity, traffic, and revenue data with medium to long term forecasting, including tables, charts, and map views

- ROUTES

  - Scheduling and slot management system for airlines – on premise solution incorporating operational constraints to ensure smooth transfer from plan to production

- SYSTEM

  - Network optimization on both modal and multimodal perspectives – annual and seasonal, based on forecasts including profitability optimizer

- LEVERAGED

  - Dynamic pricing system end-to-end, using competitors' fares

AIR.PM: Next Gen Low Cost

- Strategic and marketing planning functions are already served by IT systems
  - In-house ad-hoc systems , major IT providers and boutique software companies
  - High investments and running costs due to the complexity of the systems for the first one and limited scope for the second requiring to purchase from other suppliers

- Modular solution to fulfill the needs of multiple end users
  - Base system synergized with specific add-on modules to reduce costs of development

- Open-source software and library to minimize cost and development time

- Competitive cost of labor
  - Skilled developers at 2000 $ / month largely available
  - Usage of contractors initially to adjust labor costs to customers acquisition

AIR.PM: Next Gen Marketing Planning

- Encompass the key marketing planning functions to meet the evolution of the market
  - Less silos since external push by final customers: the e/m-revolution means the travel purchaser has all information in hands, free of charges
  - It leads to a very dynamic environment where the couple asset – price needs to be continuously reengineered for all travel operators

- Move from marketing planning to marketing agility
  - The dynamism of the market forces requires the transportation companies to reallocate their assets and reprice their seats in a continuum, not in sequence
  - The traditional phased approach is not anymore the solution, specifically for the challengers that need to leverage their flexibility against the well established competitors to gain market share and increase their profit margin

AIR.PM: Next Gen Multimodal

- Development of multimodal platforms
  - TEN-T in Europe, high speed trains as alternative and complementary to air transport, and the development of long distance bus service

- Push for fully connected multimodal network by public organizations
  - Minimize environmental footprint, political and social pressure
  - Synergies in infrastructure investments due to exponential costs and budget constraints

- Technology supports the commercialization of end-to-end multimodal journeys
  - Online door-to-door journey metasearch engines such as Rome2Rio, Google Transfer, or Skyscanner meet the expectation of the connected passengers

The opportunity is to provide a solution for the decision makers of the transportation industry since they do not have an integrated and comprehensive tool box to evaluate new opportunities

Our Market Targets

- Segment: Air transportation
  - Most advanced in the industry hence looking for differentiation and open to new systems
  - Air industry interested to estimate potential of leaked traffic for recapture on other modes, while evaluating ad-hoc routes synergies

- Sweet spot: Regional Airlines
  - Higher yield for a system with longer contractual commitment (3-5 years)
  - Small – Medium regional carriers need to continuously find alternative strategies against large well established airlines, while current IT systems are expensive for them
  - Other segments: tactical until end 2017 since the span of the functionalities will not address larger airlines requirements (alliances and multi carriers optimization)
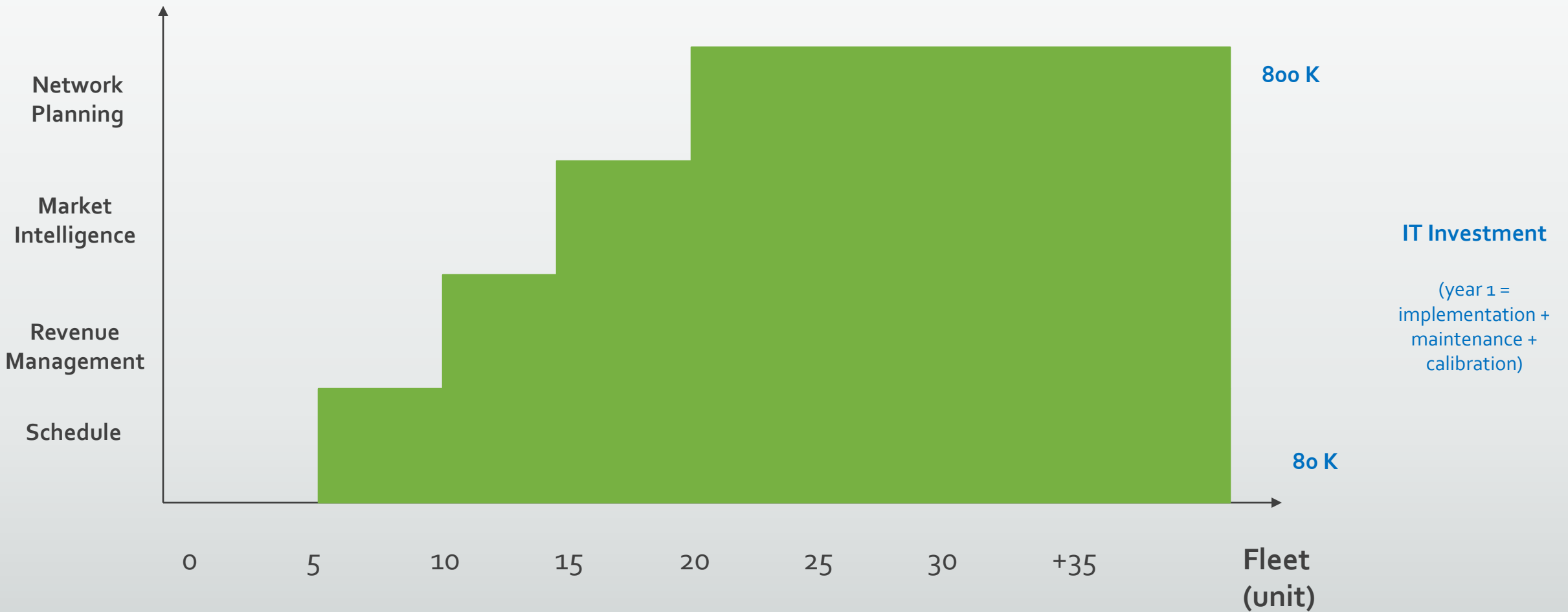
The Competition

	Schedule	Revenue Management	Market Intelligence	Network Planning	Customers	Target Price
AIR.PM	●	●	●	●	Regional	75 – 200 K
Lufthansa Systems	●	●		●	Large / Network	300-800 K
Sabre Airline Solutions	●	●	●	●	Medium / Large / Network	300K – 1 Mio
SEABURY APG			●	●	Medium / Large	150 – 300 K
Infosys	●			●	Medium / Large	400– 500 K
OPTYM	●			●	Medium / Large	200 – 500 K
BOUTIQUES	●	●	●	●	Regional	80 – 300 K
CONSULTING	●	●	●	●	Regional	80 – 500 K

Our Positioning

- Our objective is to build up our market by focusing on the regional carriers only and offer them a qualitative alternative against consulting companies and boutiques IT

  - Consulting: specific assistance but one shot only and expensive when more than one functional area is required. AIR.PM mixes short term revenue improvements (Revenue Management and Market Intel.) with more longer term for enhance ROI vs. consulting

  - Boutique ITs: unique for the company, but limited in scope, capabilities, and support. Marquee partnership to position our brand and unique differentiator in terms of functional area covered delivering better value for money

Unique Selling Points

- Data expertise
  - In-house data gathering and adjustment processes to estimate the market sizes of each mode of transport and stimulation / capture – recapture phenomenon
  - Forecasting and data calibration as IP

- End-to-End solution
  - Data + calibration + forecasts + scheduling + business intelligence + pricing + planning
  - Integrated, not interconnected, for security and reliability

- System Architecture
  - Dual on premise and SaaS architecture for higher security / confidentiality / reliability

Barriers to Entry

- Move from Marketing Planning to Agile Marketing

  - Current providers follow the traditional approach and use old and less flexible architecture (TPF based). Therefore adjusting their solutions will be both costly and revenue averse in the short term, hence little incentive to compete against us. Finally our price point and cost structure will ensure a positive profit margin even if price lower than targeted.

  - New providers will not take the risk since it requires market education and time and money for development while Agile marketing is new and so far unique.

  - Our partnership with Diamantea allow us to reengineer a Revenue Management solution while in parallel working on the other modules: shorter time to market, leading to functional positive gap from first release

Barriers to Entry

- Dual Architecture SaaS *and* On-Premises

  - Trends with SaaS by design from all providers, while mix of on premise and cloud is the technological differentiator for the future. However this "one-fits-all" solution does not meet the requirements of an airlines since:

    - SaaS only for mission critical activities such as scheduling is risky since the production flow is depending on the quality of the internet access. However, except in developed countries, the bandwidth is limited and its flow not regular over time
    - Any stress on the communication system in case of air production disruption(s), might lead to a connection fall out while commercial issues shall be addressed (passenger re-accommodation, flights swaps, etc.)
    - Safety and security considerations require the possibility for a schedule lock down from non-private telecommunication pipe (hacking, DNS hijacking, virus, etc.) while maintaining the production of the schedule

Barriers to Entry

- By 2017 an integrated suite of 4 key commercial systems all together, developed with the support of marquees partners

    - Start up and providers targeting regional carriers have a specialized / expertize approach. However, there is no direct correlation with their profit margin since their focus on a narrow part of the airline commercial activities limits the benefits for a carriers, while cost and risk of integration between various systems push down the price for a providers

    - Our objective is to provide the commercial suite from commercial planning to operation, building partnership with recognized entities to gain recognition and support an aggressive commercial approach for client acquisition
        - Alenia for Network Planning and Scheduling, Italian Civil Aviation and Cohor for scheduling and slot management, Diamantea for Revenue Management with a proven solution for airlines and hotels
        - Politecnic University for research, and New Mobility EU project filed in consortium with European Metropolitan areas (Torino IT, Lyon FR, and Valence ES), KPMG and others partners

Managing the Change: Commercial Approach

- Farmer Strategy: start with a clearly identified solution to further expand the suite
  - Buying path is "Routes – Intelligent – System – Leveraged"
  - From 2017, the benefit of the modular architecture will allow to start with one of the 4 entry points and move towards the full suite

- Objective is to accompany the change with our customers in alignment with the ramp up of the system
  - Clarity on the final solution with a clear road map – we sell a concept with a base system that will be continuously enhanced every month versus buy a product and pay for the new release
  - Fast releases process to make them feel value for money to sell other modules while have them to talk about the solution to their counterparts at other airlines
  - Integrate customer feedback – word of mouth is important
  - Return of experience with other products to be incorporated from the beginning

Managing the Financial Risks

Ensuring Financial Sustainability

Revenues – Guidelines

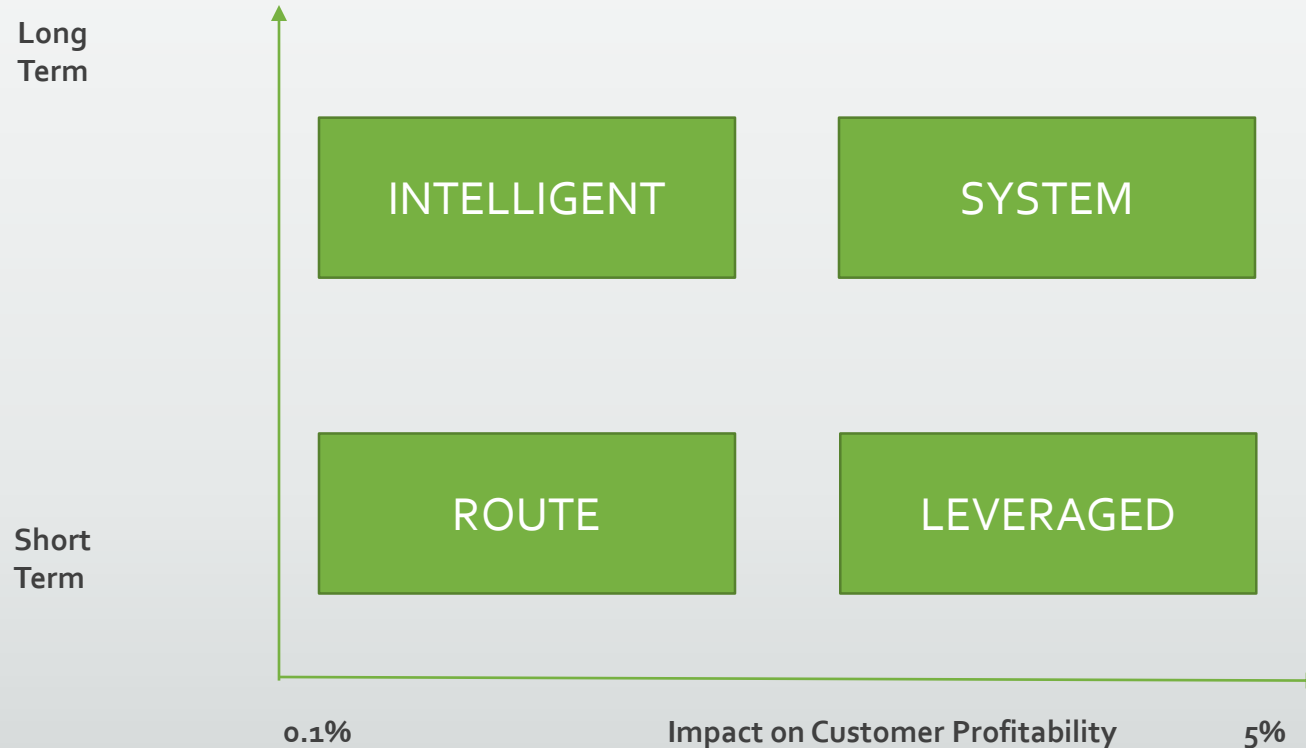|	
SCALABLES	Modular approach with entry level at 20K up to 200 k – maintenance fees per AC
DIVERSIFIED	Consulting + Licence / Implementation + Maintenance
CASH FLOW	Pre-payment of the services to minimize risk + 20k additional capital injection
COMMITED	Three years contract to ensure revenue commitment the following years

Managing the Financial Risk

Long
Term

INTELLIGENT

SYSTEM

ROUTE

LEVERAGED

Short
Term

0.1%   Impact on Customer Profitability   5%

- A key benefit of the suite is to deliver rapid return while helping to fix more strategic issues

- The pricing is scaled to facilitate the upgrade from one module to the others to facilitate client acquisition

- Key message: we deliver Agile Marketing

Managing the Financial Risks – Consulting

- Consulting services generating cash with 2015 contractual engagements having generated 15K of revenue while the activity was dormant

- Three of these customers have already committed to continue working with us in 2016, while ECTAR is interested in building joint approach

- Objective 2016: Budget 30K / Target 40K , with the gain of new consulting customers in Europe

Managing the Financial Risks – Development

- Pre-payment of the solution module before the development (20 K per cust. min)

    - Approved:
        - Super Jet International 8,500 euros + introduction to their customers during two key airlines events in 2016 (NDA signed, contract finalized by mid of February)
    - Negotiation:
        - RwandAir final proposal at 20 000 euros of development fees for the scheduling system only
        - Italian Civil Aviation expected to close at about 30 000 euros
    - Other discussions with various airlines prospects
        - VietJet Air for scheduling, Air Moldova, LAM (Revenue Management), Air Botswana, Aigle Azur, etc.

    - Total 58 500 euros of committed revenue for 2016 to pay for the system development only

Managing the Financial Risks – System

- License Fees for the on-premise = 70 000 euros list price

- One time implementation fees 20k + 7.5 k per module per annum

- Maintenance fees 140 euros / ac / month

- 3 Years contracts for financial visibility

- Company capital is about 50K, will be raised to 70K by Q1 2016
  - Call for external investors in Q4 2016 assuming min 3 airlines client acquisition
  - Objective being to speed up the development of the system

Managing the Costs

- Usage of long term contractors to align production rate with customers acquisition. Hiring of European resources as soon as three launch customers are signed

- Cost of resources in Cyprus lower than in Western Europe, and taxation expected to remain competitive since new legislation introduced for IT company
  - Tax ruling currently handled by KPMG awaiting government approval for monthly fees with proposed breakdown: 70% licence fee (non subject to any taxation), 15% implementation, and 15% maintenance

- Within 2 years: development center in Romania where developers are well qualified, cost around 12K per annum, and versed into new technology and techniques
  - Large corporations are already present there, with pyramid of age and unemployment rate being a favorable factor – however expected high staff turnover requiring recruitment of local management

- Open source software for development

Managing the Commercial Ramp Up

- Initial developments paid by launch customers
  - Two are required, with the objective to get a third one – end January 2016 commitments are about 60k for 2016 only, target being to be above 100K

- Commercial structure in place
  - Founder + 2 resellers covering Europe Middle East Africa and Asia
  - Presence to industry conferences and leveraging +500 contacts

- Partnership with other IT providers for bundled offers and cross selling
  - Current discussions with Travel Technology Interactive (reservation system) – already introduced to one airline customer to show our good faith for partnering. Other partners to be assessed in the future

MARQUEE PARTNERSHIPS

BRAND RECOGNITION

Marquee Partnerships

- Our competitors are not the large providers but rather the consulting companies or the multiple small providers and IT development shops present – now and in the future – in this market

- To succeed in establishing our solution against them, our objective is to secure partnerships with recognized international entities in order to boost our recognition beyond our consulting customers and business relationships

Marquee Partnerships

Research Partner	Aircraft Manufacturer	Civil Aviation
POLITECNICO DI TORINO	superjet INTERNATIONAL — An Alenia Aermacchi and Sukhoi Company	ENAC — Ente Nazionale per l'Aviazione Civile, Italian Civil Aviation Authority; COHOR — Airport Coordination, France.
DIAMANTEA.com innovative web selling tools; tti Travel Technology Interactive	LASeR; AIRSOURCE PARTNERS	AFRICAN AIRLINES ASSOCIATION — AFRAA
IT Partner	Commercial Partners	Airlines Association

AIR.PM Airline Advisory Committee

Objective: integrate targeted airlines in the development of the tool. Aim is to integrate potential customers comments and feed back and develop conversion of committee members

EMEA only to be further extended, with the objective to have 12 members by end of February for kick off

AIR.PM

THE SOLUTION FOR IMPLEMENTING AGILE MARKETING IN THE TRANSPORTATION INDUSTRY

- The E-Revolution in the transportation industry has already transformed its business with a drastic shift in market power at the benefit of the customer

    - All travel purchasers are first looking through numerous web portals, with an average of 43 searches for 1 booking

- But the new multimodal revolution is quickly getting a reality with door to door journey planners

- Transportation operators have lost already the battle of the distribution – soon they will loose the price's

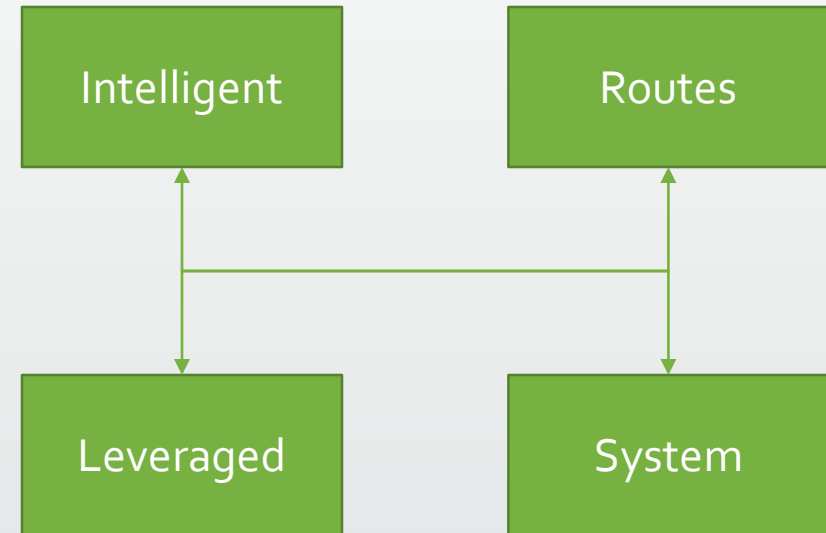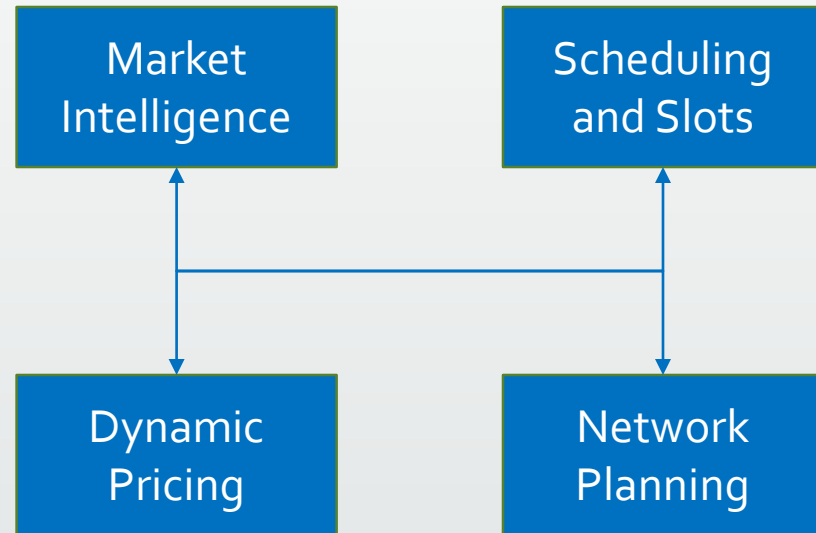PRODUCT   PRICE   PROMOTION   PLACEMENT

AIR.PM

- The objective of AIR.PM is ultimately to cover all aspects of the airline marketing planning activities in both a mono-modal and inter-modal environment.

- To regain its preponderant role in the travel value chain, air operators must embrace a more dynamic marketing approach towards the customers, by building a consistent product all together rather than in a sequential mode

- Our solution will provide a global solution for air operators, optimizing their routes schedule, global network, and pricing, dynamically considering the various market forces and constraints
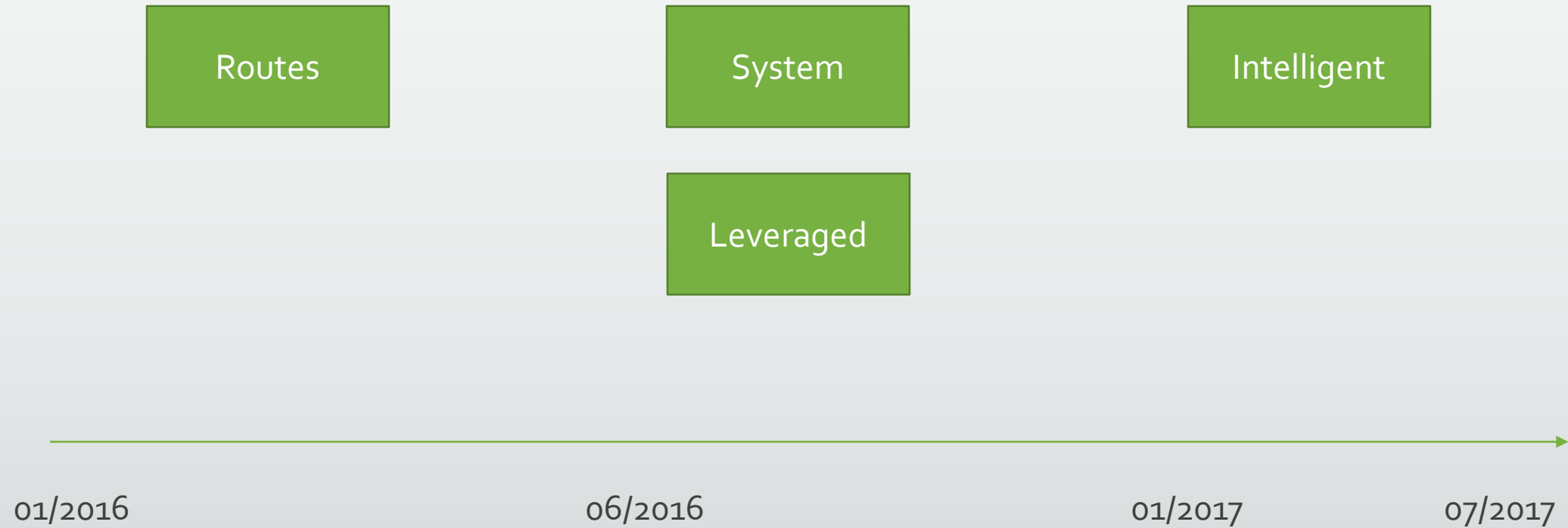
AIR.PM   Scope of the System

- Through its various components, AIR.PM is aiming to provide an integrated response to airline customers having to take tactical and strategic decision against endogenous and exogenous events

Process Control	Architecture	Mechanism	Algorithms	Homeostasis
AIR.PM	Decentralized	Co-Operative	Optimization	Sustainability

Schedule and Milestones

Routes

System

Leveraged

Intelligent

01/2016   06/2016   01/2017   07/2017

Schedule and Milestones

Routes

Data Base	
On Premise Architecture	Multimodal Schedule
SaaS Architecture	Forecasting

Scheduling Base	Scheduling Enhanced
Reporting	Slot Management

01/2016

06/2016

Development Process

- Rapid Action Team:
  - Focus on core initial functionalities based on an initial modular approach by design
  - Focus on additional functionalities with release any other month to keep momentum and visible evolution for the client
  - Benefit for the client is the perception of an enhanced value for money over the time as well as feeling of "money well spent"

- Usage of Open Source libraries facilitate the production rate of the development team by using pre-formatted elements
  - Enhance look and feel and support expansion of specific functionalities

System Architecture
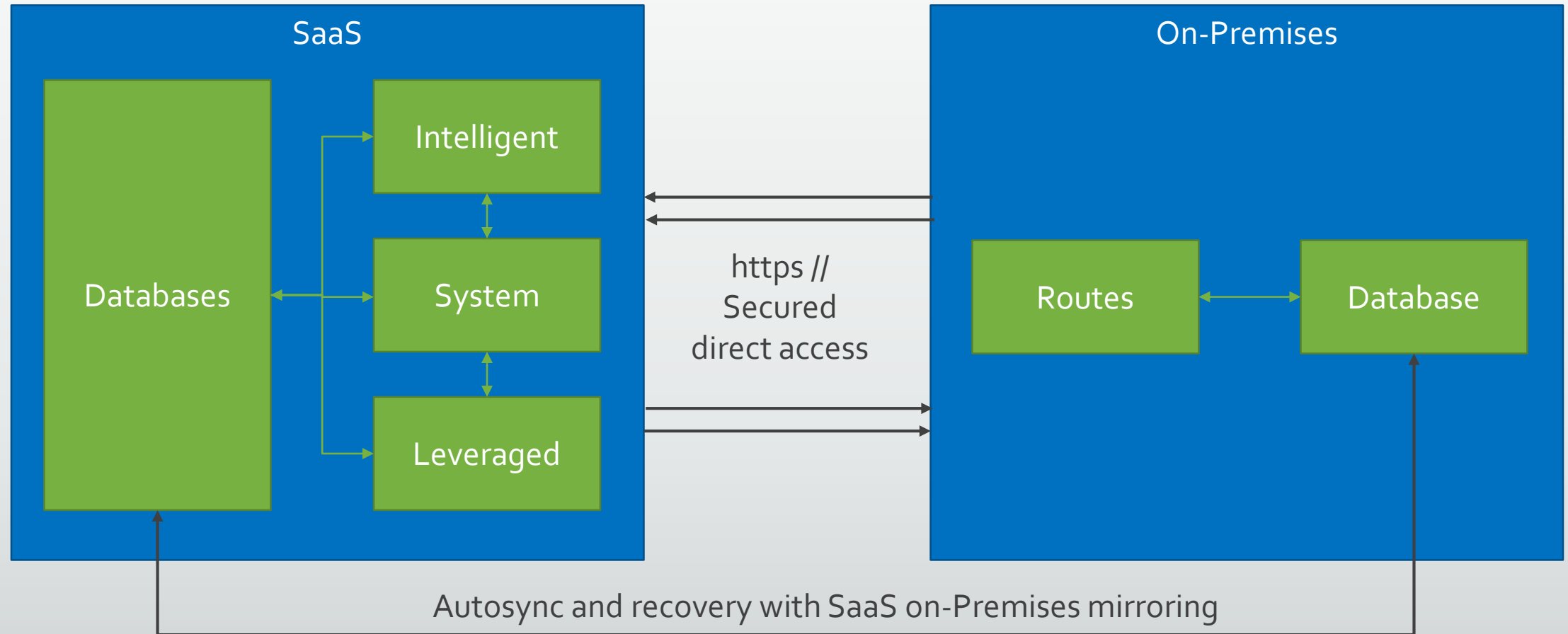
System Functionalities

WELCOME	UPDATE	CHECK	MESSAGES
SCHEDULE	CREATE	ALLOCATE	CONTROL
DISPLAY	TIMELINE	TRACK	TIMETABLE
COST	SELECT	PLAN	STREAMLINE
REPORT	KPIs		
COLLABORATE	SHARE	IMPORT/EXPORT	SLOT
ADMIN	RULES ENGINE	SEARCH	MY LIBRARY	HELP

SCHEDULE

CREATE

ALLOCATE

CONTROL

| Period | Cycles | Tail Assignment | Code-Share | MTC Router | Code-Share | Optimizer |

Map
Flight Display
Aircraft Flow
Station Activity
Timetable

		MONDAY					TUESDAY					WEDNESDAY					THURSDAY		
	FLT NO	FRM	TO	DEP	ARR	FLT NO	FRM	TO	DEP	ARR	FLT NO	FRM	TO	DEP	ARR	FLT NO	FRM	TO	DEP	ARR
B 737-800	WB101	JNB	KGL	09:05	12:55	WB301	DXB	KGL	06:25	10:20	WB201	ACC	LOS	08:00	10:00					
16-J/138 Y											WB201	LOS	KGL	11:15	16:45					
WBT																				
81:55:00	WB422	KGL	EBB	14:15	16:15	WB200	KGL	LOS	14:00	17:30										
MBT	WB423	EBB	KGL	17:00	17:00	WB200	LOS	ACC	18:30	18:30										
354:58:20																				
AVE HRS/DAY																			3:00	20:50
11:42	WB300	KGL	DXB	20:20	04:10											WB302	MBA	DXB	21:40	04:10
9XR-WG																				
				TBT	11:40				TBT	11:26				TBT	06:30				TBT	07:20
B 737-800	WB301	DXB	KGL	06:25	10:20	WB213	DLA	LBV	10:15	11:25	WB303	DXB	MBA	06:00	10:40	WB301	DXB	KGL	06:25	10:20
16-J/138 Y						WB213	LBV	KGL	12:10	16:40	WB303	MBA	KGL	11:25	12:05					
WBT	WB212	KGL	LBV	13:45	16:15															
82:45:00	WB212	LBV	DLA	17:00	18:10											WB200	KGL	LOS	14:00	17:30
MBT																WB200	LOS	ACC	18:30	18:30
358:35:00						WB302	KGL	MBA	18:00	20:50										
AVE HRS/DAY						WB302	MBA	DXB	21:40	04:10										
11:49																				
9XR-WG											WB300	KGL	DXB	20:20	04:10					
				TBT	10:35				TBT	12:00				TBT	13:10				TBT	11:25

Welcome Ivan!

SCHEDULE

CREATE

ALLOCATE

CONTROL

| Period | Cycles | Tail Assignment | Code-Share | MTC Router | Code-Share | Optimizer |

Arr from		FLT	AC	Arr days	KGL	Dep days	AC	FLT	Departing to	
					07:00	1234567	CRJ	WB450	EBB	NBO
					09:45	1-3-56-	Q40	WB0480	BJM	
	EBB	WB0425	CRJ	--3-5-7	10:00					
	DXB	WB0301	738	12-4-6-	10:30					
					11:00	--3---7	CRJ	WB0441	DAR	JRO
	BJM	WB0481	Q40	1-3-56-	11:45					
EBB	NBO	WB0460	CRJ	1234567	11:50					
	JNB	WB0101	737	1234567	12:20					
	MBA	WB0303	738	--3-5-7	12:05					
JUB	EBB	WB0433	CRJ	12-4-6-	12:10					
					12:45	---4---	CRJ	WB0442	DAR	
					13:00	1----6-	CRJ	WB0442	DAR	
					13:00	__3_5_7	CRJ	WB0434	EBB	JUB
					13:15	123456-	CRJ	WB0402	NBO	
					13:20	-2--5--	CRJ	WB0440	JRO	DAR
					13:30	1-3-5--	Q40	WB0470	MWZ	
					13:45	--3--6-	737	WB0210	BZV	DLA
					13:45	1---5-7	737	WB0212	LBV	DLA
					14:00	-2-4-67	738	WB0200	LOS	ACC
					14:15	12-4-6-	CRJ	WB0422	EBB	
					14:30	-2-4-6-7	Q40	WB0482	BJM	
	BJM	WB0483	Q40	-2-4-67	16:20					
DLA	BZV	WB0211	737	---4--7	16:40					
DLA	LBV	WB0213	737	12---6-	16:40					
ACC	LOS	WB0201	738	1-3-5-7	16:45					

Discussion