#NocheAerolíneas Goes Viral
Aerolíneas Argentinas' Disruptive Promotions Stimulated Demand In An Unstable Macroeconomic Environment

By Rafael Martinez

Last year proved to be a challenging one for Latin America's airline industry. The economy has been suffering since 2014, followed by further contracting in 2016. Emerging markets faced a substantial currency depreciation due to the drop in commodity prices, as well as the flow of capital to the United States.

Because international fares are established in U.S. dollars, the same fare in U.S. currency became more expensive for Latin American consumers in their local currency. Moreover, domestic market fares are established in local currency; however, when they are converted to U.S. dollars, they convert to less money for the airline than in previous years.

According to a recent Harvard Business Review article titled "Global Companies Need to Adapt Agile Pricing in Emerging Markets," multi-national companies fall short on how to set the pricing on emerging markets and adapt to currency volatility. This, in part, is because their processes for determining and changing prices are too rigid or too centralized, or they do not involve the right people, priorities or incentives. This also applies to the airline industry since that type of volatility generates a lot of pressure to yields.

Economic uncertainty and currency devaluation has had a sizable impact on Latin America's travel demand, forcing airlines to lower their fares.

To address this issue, Aerolíneas Argentinas developed a successful methodology, applying revenue-management segmentation with the power of social media. The goal was to create a disruptive promotion methodology to stimulate demand without revenue dilution.

During the second quarter of 2016, the airline launched a marketing campaign called "#NocheAerolineas," meaning Aerolíneas nights. The campaign offered attractive fares that were available for a few hours during the night on routes and dates that needed demand stimulation. The campaign was communicated to consumers via Facebook, Twitter, YouTube and Google.

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To ensure campaign success, Aerolíneas Argentinas combined strategy, marketing, revenue-management segmentation and technology, which resulted in a fruitful outcome.

Strategy: Be Disruptive

To succeed in an uncertain environment, Aerolíneas Argentinas knew it had to defy the status quo with a disruptive proposal in terms of what to offer and how to communicate the offerings to consumers. At the same time, it was vital to coordinate with and align different areas of the organization such as pricing, revenue management, marketing, IT and e-commerce so they were in sync with the same objectives, procedures and time-to-market goals. In addition, it was important to take a trial-and-error approach, meaning risks had to be taken and mistakes would likely be made along the way.

Revenue-Management Segmentation

Using the forecast and booking curves in Sabre AirVision Revenue Manager, the airline identified low-demand seats for which it could be aggressive on rates to stimulate demand. Moreover, using passenger name record data from the Sabre Customer Data Hub, Aerolíneas Argentinas ran a segmentation analysis using clustering techniques to identify changes to consumer behavior and define the conditions and restrictions for the promotion to avoid dilution by selling a lower fare to a customer that had intentions of buying a ticket without the offer.

Marketing: Word-Of-Mouth

Word-of-mouth has been around as long as humans, and it is still considered the most trustworthy form of advertising. However, it has changed in recent decades with new technologies and consumer connectivity.

Aerolíneas Argentinas used the internet and social-media channels to launch its promotion. In doing so, its #NocheAerolíneas brand combined with attractive fares led to conversations and recommendations on its social circles, which generated a viral effect that reached millions of people.

The #NocheAerolíneas campaign inspired people to dream about travel and share their feelings and experiences on Facebook and Twitter with their followers. When people commented about the promotion, they shared it in their social-media circles, expanding the promotion to more and more people. Like a domino effect, the traveling public
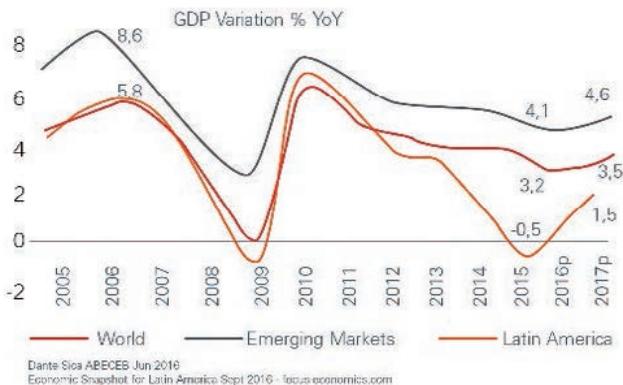
began talking about their experiences at the destinations that were promoted, answering questions and defending the brand against detractors, resulting in more than 80 percent positive comments on social-media channels.

Each campaign reached up to 3.5 million people, with more than 100,000 clicks per promotion, causing a vital shift from indirect channels to Aerolineas.com. Facebook fans almost doubled since the start of the campaign, and most of the sales generated by the promotions where on low-demand seats, as well as those that were expected to be empty.

The campaign generated new customers who had never flown on Aerolíneas Argentinas. According to survey results, 30 percent of buyers said they were already planning to take a trip, but they specifically purchased airfare from Aerolíneas Argentinas because of the promotion. In addition, 26 percent did not have plans to travel and 25 percent were thinking about traveling on another airline or other conveyance, but they all decided to fly on Aerolíneas Argentinas due to the promotion.

Technology

In addition to its use of Sabre AirVision Manager and the Sabre Customer Data Hub revenue-management segmentation, Aerolíneas Argentinas designed a specific web page so customers could easily locate the promotion. Using SabreSonic Inventory, it applied distinctive rules with restrictions and conditions to offer only the inventory that needed to be stimulated. It also used calendar capabilities from SabreSonic Web to show customers exactly where to find the specific seats with the promotional fares.
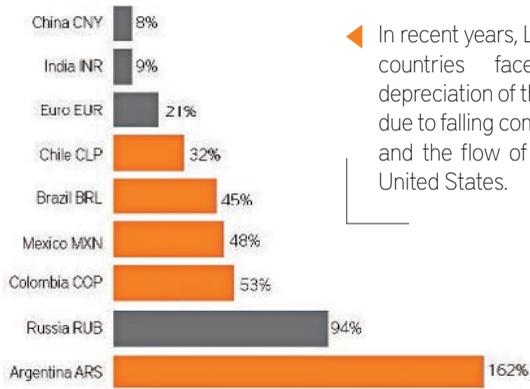
Lessons For Success

Aerolíneas Argentinas learned that to address travel-demand challenges without revenue dilution, it had to be creative and offer customers a different value proposal. Segmentation was key to stimulate demand without diluting revenue. It also found that PNR and revenue-management data is critical in understanding customers and influencing them.

To be successful, it combined capabilities from different technology solutions and used the power of social media to create a halo effect that generated more customers and incremental sales, as well as created more followers, fans and promoters of its brand. ASCEND

GDP Variation % YoY

Dante Sica ABECEB Jun 2016
Economic Snapshot for Latin America Sept 2016 - focus-economics.com

▲ Latin America's economy had been contracting since 2014. Brazilian political and economical crisis is one of the main factors.

Rafael Martinez is the head of distribution and revenue management for Aerolíneas Argentinas. He can be contacted at rmartinez@aerolineas.com.ar.

China CNY 8%
India INR 9%
Euro EUR 21%
Chile CLP 32%
Brazil BRL 45%
Mexico MXN 48%
Colombia COP 53%
Russia RUB 94%
Argentina ARS 162%

Data Source: XE.com, IATA, Economics Report Dec 2015

In recent years, Latin American countries faced a large depreciation of their currencies due to falling commodity prices and the flow of capital to the United States.

#NocheAerolíneas

Through social-media conversations about #NocheAerolíneas promotions, people joked and dreamed about them.

Antonella @AntoChavarino_ 01/07/17
#NocheAerolineas Es noche soñada de Aerolineas y yo sufroo

camilin @camidelpo 02/10/17
Hoy la #NocheAerolineas es de NYC y me estoy comiendo las uñas para no hacer click en PAGAR

Rochi Moriones @Rochimor... 03/15/17
Necesito que dejen de existir las #NocheAerolineas y las # BandaNegativa hasta que vuelva a tener plata!!!

"It is #AerolineasNight and I am Suffering ..."

"Today #AerolineasNight to NY and I am biting my nails to avoid clicking on the pay button."

"You should stop #AerolineasNight until I have money again."

Aerolíneas Argentinas uses a segmentation methodology to define #NocheAerolíneas' conditions and restrictions.

Customer Data Hub

• Age
• Anticipation, stay length
• Number of passengers per PNR
• Point-of-sale
• Point-of-commencement
• Sales chanel
• Payment method
• Frequent-flyer status

Frequest-Flyer Database

Tour code
Child/Infant in PNR
Day of the Week
RT/OW

AP
PAX/PNR Length

Gender
Age Groups
FOP
Buying Channel
FFP

Pre-segmentations   Run cluster analysis   Discriptions of clusters