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Retailing aviation opportunity: Departing now!

IATA World Passenger Symposium

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retailing



Next up.

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NOW

> Retailing value at stake:
the \$40B refresh



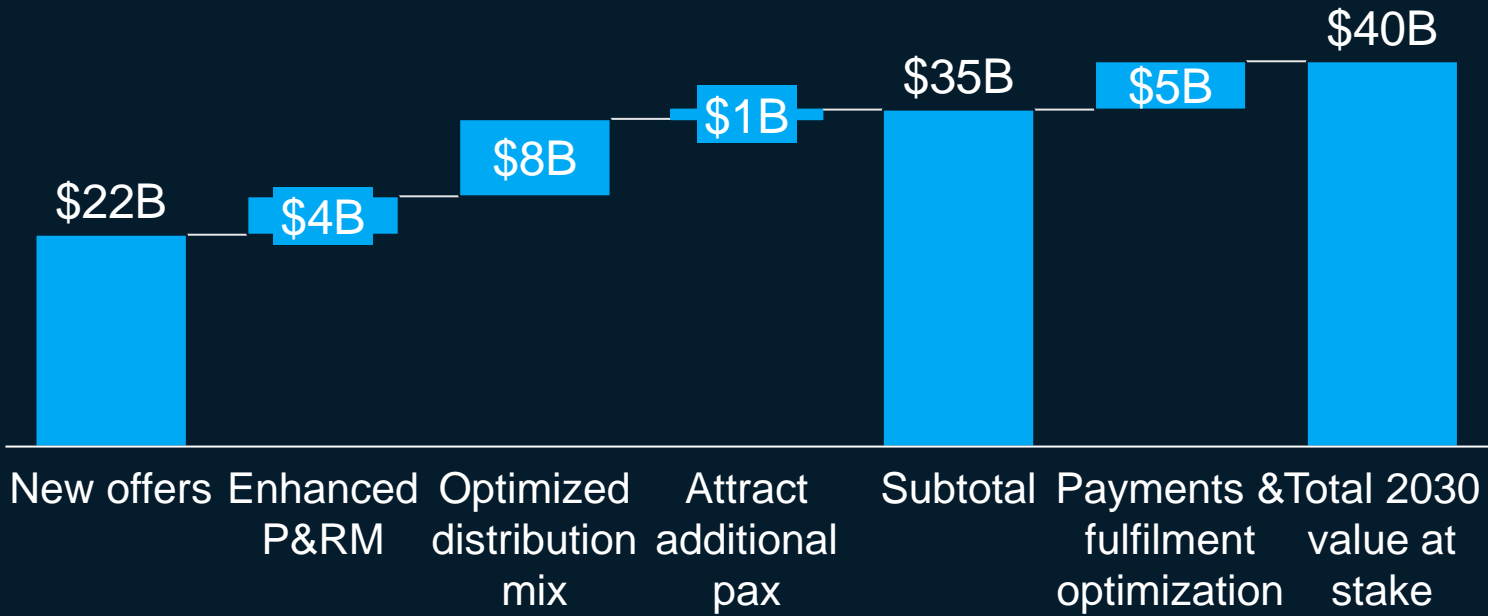
Nina Lind
Partner
Stuttgart

NEXT

> Quick fire panel on
value creation

Recap from 2019: the industry could realize up to \$40 billion in new value annually by 2030

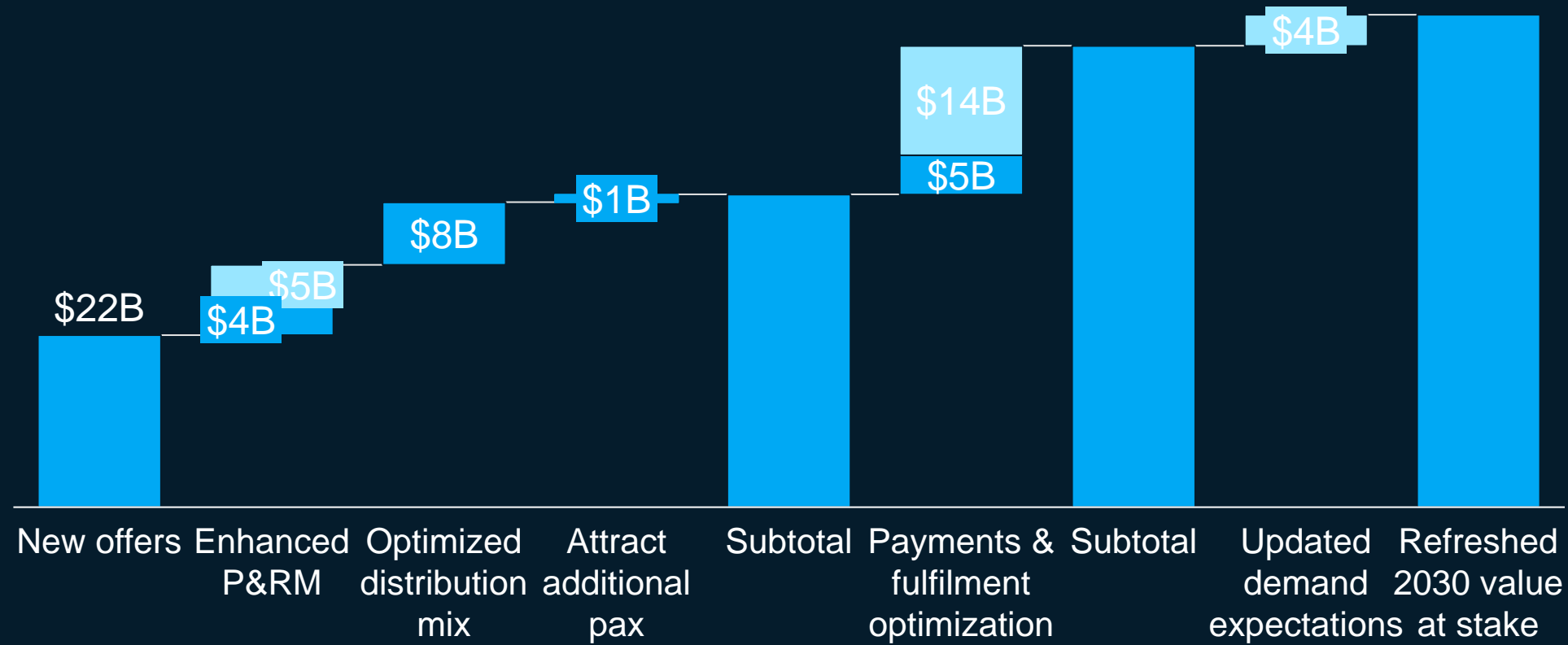
Global airline retailing opportunity, estimated in 2019



Source: Airline retailing: The value at stake (McKinsey, 2019)

Today, there is incremental value from dynamic pricing, payments, and improved underlying demand

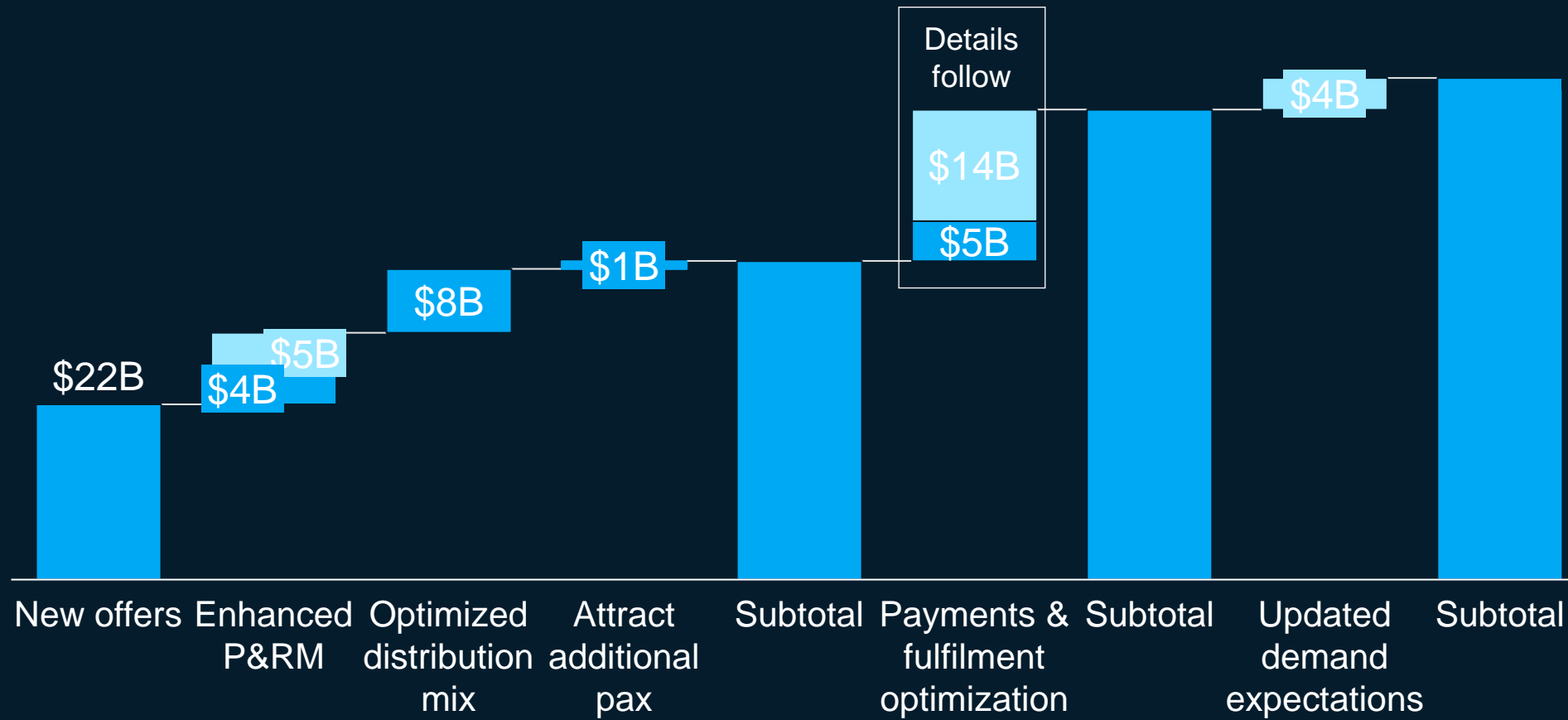
Global airline retailing opportunity, assuming implementation speed expected in 2019



Source: Airline retailing: The value at stake (McKinsey, 2019), Airline retailing: How payment innovation can improve the bottom line (McKinsey, 2022), McKinsey research (2023)

Reflecting current maturity delays, the industry can still capture \$45 billion in additional value from retailing by 2030

Global airline retailing opportunity, with adjusted implementation speed¹







1. Ramp-up curves shifted for each value pool based on number of years the industry is falling behind 2019 expectations. \$18B available to recoup; requires acceleration

Source: Airline retailing: The value at stake (McKinsey, 2019), Airline retailing: How payment innovation can improve the bottom line (McKinsey, 2022), McKinsey research (2023)

Addressing distribution and payment concurrently is crucial to create synergies and avoid the risk of value destruction

Scenarios illustrating distribution and payment impact on airline retailing capabilities

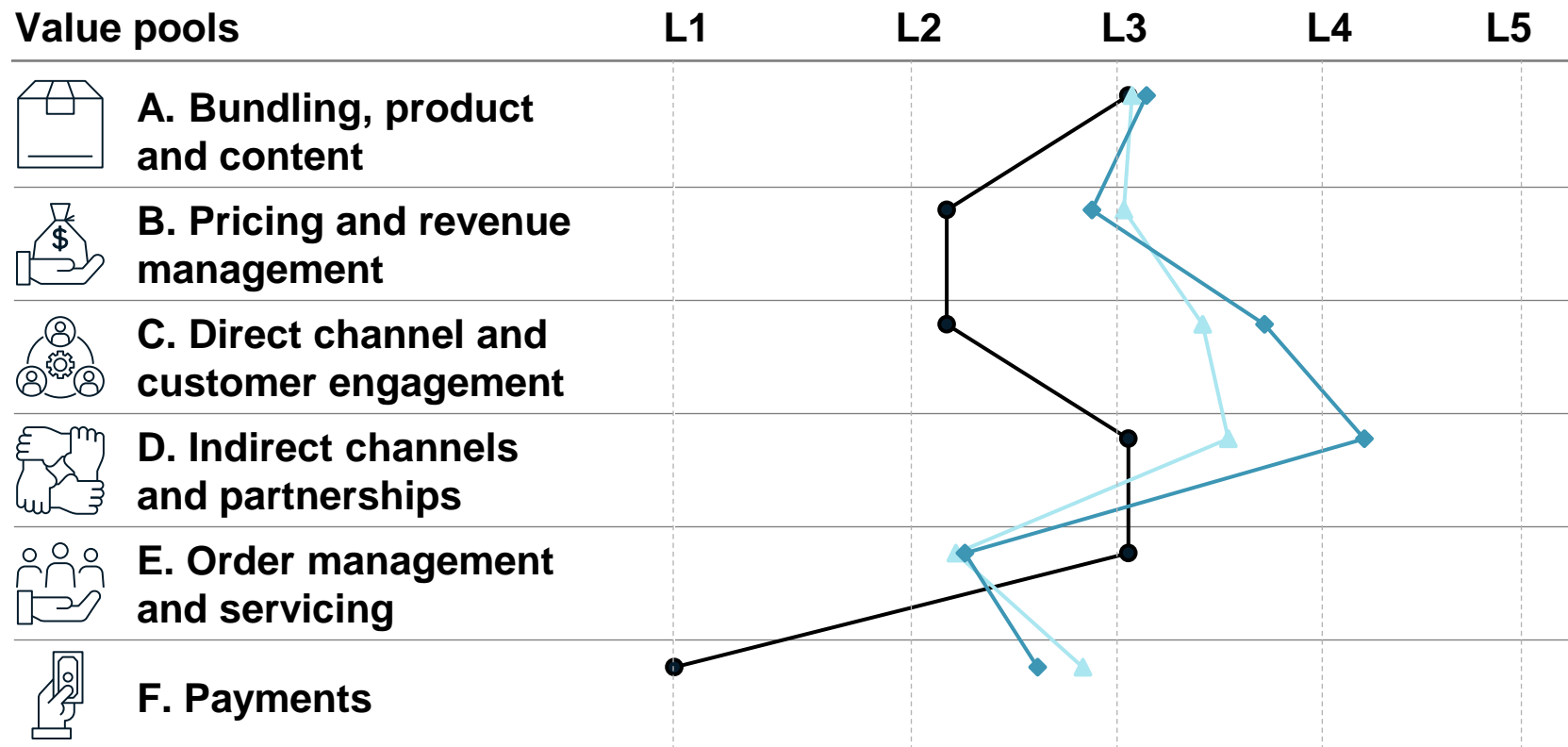
				
Scenario	Distribution + Payment	Distribution focus only	Payment focus only	None
Description	Allows airlines to tap into the value creation potential offered by distribution and payment pools	Singular focus leads to incomplete value creation and even poses the risk of value destruction due to rising payment costs	Singular focus could potentially result in value destruction due to escalating distribution costs (not sized)	Value destruction coming from higher payment and distribution costs
Full value capture opportunity	\$45B	\$12B	\$14B	Value destruction at airline level

Source: McKinsey research (2023)

Retailing leaders are on track across most value pools

● Expectations in order to reach value-at-stake by 2030² ▲ Global network carrier leaders maturity ◆ Full service carrier leaders maturity *Note: insufficient low-cost carrier data points*

ARM index average across airlines¹, 2023



1. N=36 respondents in 2023; N=210 in the pool for industry factoring
 2. Based on assumptions in Airline retailing: The value at stake (McKinsey, 2019)

Source: McKinsey research based on IATA Airline Retailing Maturity (ARM) index data (2023)

Leading airlines exceed expectations and prioritize:

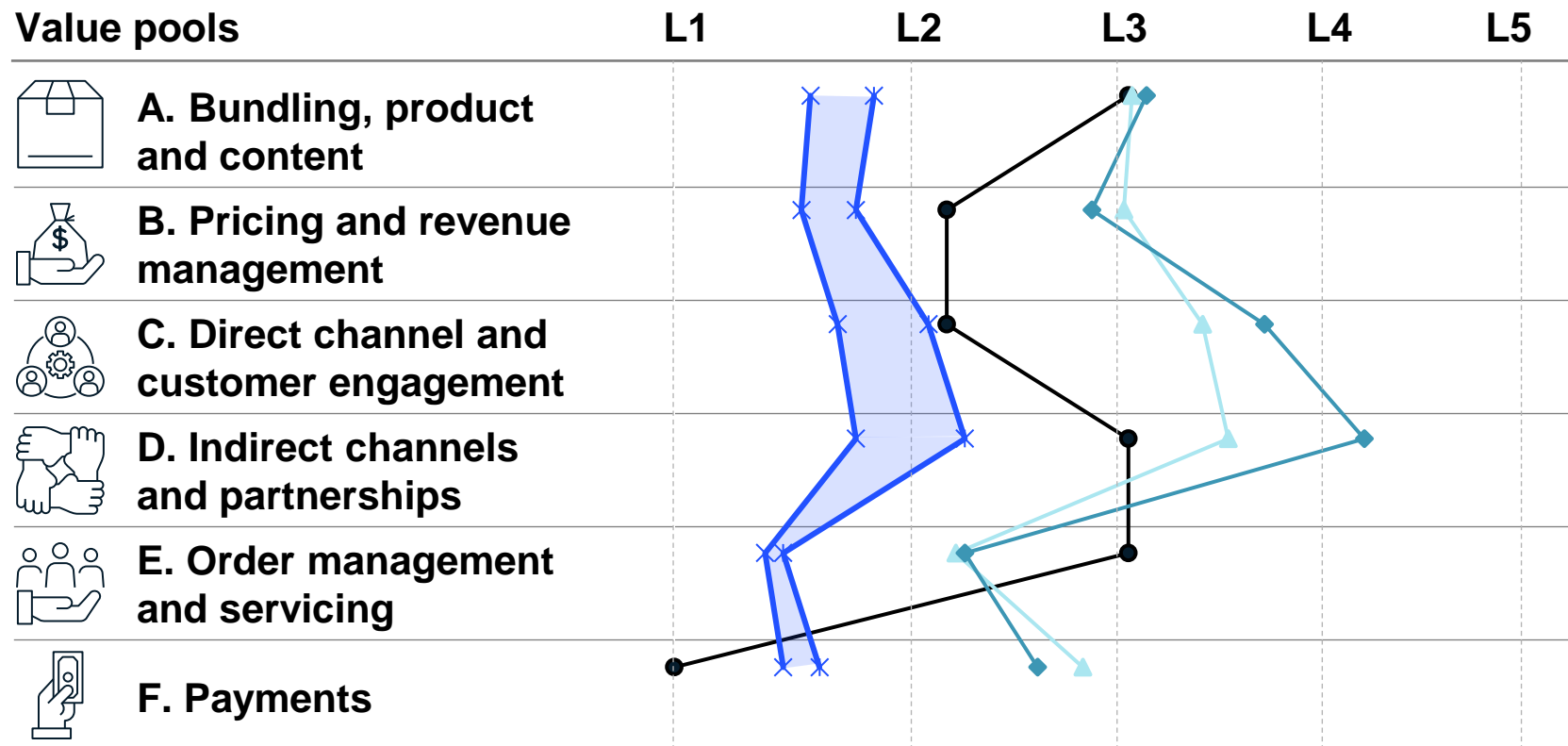
- (B) Pricing and revenue management
- (C) Direct channel and customer engagement
- (D) Indirect channels and partnerships
- (F) Payments

There is a need to accelerate (E) Order Management to enable new features and reduce process complexity

However, the sector as a whole is lagging behind expectations to achieve 2030 value-at-stake

● Expectations in order to reach value-at-stake by 2030²
▲ Global network carrier leaders maturity
 ◆ Full service carrier leaders maturity
 Note: insufficient low-cost carrier data points
◆ Airline average maturity (estimate³)

ARM index average across airlines¹, 2023



1. N=36 respondents in 2023; N=210 in the pool for industry factoring
 2. Based on assumptions in Airline retailing: The value at stake (McKinsey, 2019)
 3. Assumes airlines with no active retailing efforts or those at the early stages of their transformation (60% of airlines) have an ARM index of 0%

Source: McKinsey and IATA research based on IATA Airline Retailing Maturity (ARM) index data, GlidePath data (2023)

Leading airlines exceed expectations and prioritize:

- (B) Pricing and revenue management
- (C) Direct channel and customer engagement
- (D) Indirect channels and partnerships
- (F) Payments

However, airlines in aggregate are lagging behind 2019 expectations, mostly due to the number of airlines that **have not embarked yet on their retailing journey**

Key takeaways from this session

NDC is happening; it's now about "how" and "how quickly" to capture value



\$40-45B is the 2030 reference point, and up to each airline to extract value from the opportunity



Synergy between distribution and payments is clear



Gap between leaders and followers is widening—rapidly



Industry needs frontrunners charting the path, and de-risking the journey



Followers need (help) to accelerate, in order to unlock benefits for the ecosystem





**Bryan
Koh**



**Tamur
Goudarzi**



**Nina
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**Anthony
Rader**



**Nicolas
Salazar**



We are starting to see the first wins on the board in retailing.

What are powerful examples, and how are these creating confidence?

What early value creation proof points start to indicate that the retailing journey is paying off?

What are recent playbook moves of those who pave the way?

Get in touch.

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