Retailing aviation opportunity: Departing now!
IATA World Passenger Symposium
October 25, 2023
Next up.

Jasperina de Vries
Associate Partner
Amsterdam

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 speed

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

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

Source: McKinsey research (2023)

IATA World Passenger Symposium 2023
Retailing leaders are on track across most value pools

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.

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

<table>
<thead>
<tr>
<th>Value pools</th>
<th>L1</th>
<th>L2</th>
<th>L3</th>
<th>L4</th>
<th>L5</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Bundling, product and content</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B. Pricing and revenue management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C. Direct channel and customer engagement</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>D. Indirect channels and partnerships</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>E. Order management and servicing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F. Payments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

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**

Source: McKinsey and IATA research based on IATA Airline Retailing Maturity (ARM) index data, GlidePath data (2023)
### Key takeaways from this session

<table>
<thead>
<tr>
<th>NDC is happening; it’s now about “how” and “how quickly” to capture value</th>
<th>$40-45B is the 2030 reference point, and up to each airline to extract value from the opportunity</th>
<th>Synergy between distribution and payments is clear</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gap between leaders and followers is widening—rapidly</td>
<td>Industry needs frontrunners charting the path, and de-risking the journey</td>
<td>Followers need (help) to accelerate, in order to unlock benefits for the ecosystem</td>
</tr>
</tbody>
</table>
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?