

# The Changing Landscape of Airline Retailing and the myths surrounding customer preferences

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## ABSTRACT

*Travel not only has recovered but also is exceeding pre-pandemic levels: In 2024, airline gross bookings reached 115 percent of their 2019 total. At the same time, evolving consumer expectations and behaviours are reshaping how people plan, book, and experience their journeys. Together, these shifts are fuelling a rapid transformation of the travel sector. The airline industry is attempting to meet these expectations through, in part, improving its approach to retailing. What the airline industry refers to as “retailing” primarily encompasses selling (of, for instance, tickets, upgrades, and ancillary offerings) and servicing (of, for instance, refund requests and other traveller needs) across all customer channels, including both airline-controlled websites and apps and third-party online travel agencies (OTAs).[11] Many carriers remain constrained in their retail efforts by siloed structures, legacy technology platforms, and concerns that up-front investments in retailing may not yield immediate or sufficient returns. While some airlines have taken meaningful steps toward modernizing their retailing, there remain untapped opportunities to boost both customer value and commercial potential. To better understand how traveller expectations about retailing are shifting—and to identify instances in which conventional industry wisdom may be outdated— a global survey of 7,000 travellers was conducted by McKinsey, from North America, Europe, the Middle East, and Asia. The survey’s findings highlight and debunk eight common myths that continue to shape airline retail strategies, while offering insight into what travellers actually want across the full retail journey from inspiration to post-travel engagement.*

**KEYWORDS:** *Custom-made services, dynamic pricing, loyalty portals, direct channels, legacy technology*

## INTRODUCTION

A shift is observed in airline retailing from selling just seats to offering personalized, complete travel experiences, leveraging digital tech like NDC (New Distribution Capability) for direct offers (flights, ancillaries) and using AI for dynamic pricing, payments, and customized bundles, creating a modern, customer-centric retail

model beyond legacy systems, allowing airlines to bypass legacy systems to offer richer, more personalized content and control their offers directly through travel agents. The myths that circulate around airline retailing are usually around Price, but McKinsey has busted eight Myths which are discussed as under:

**1. Myth: Airlines have before now captured the full value of customer preferences**

**Reality:** Most travelers are willing to pay more for features they care about—but many airline retail models still rely on static airfare bundles that fail to realize that added value.[2] The survey results show that 35 percent of respondents cite price as their top booking criterion. But 20 percent travelers prioritize other attributes, including ease of booking and brand trust. These findings are consistent with decades of choice-modeling research and industry knowledge, which have shown that price is just one of several decision drivers for consumers. While price holds the highest influence 35%, other features such as baggage allowance 15%, seat selection 12%, and ticket flexibility 10% are also powerful drivers of travelers' choices—often more so than traditional premium features such as lounge access 5%.

Though the airline industry has made considerable progress in revenue management over the decades, a breakthrough opportunity awaits airlines that can understand and accommodate a range of preferences that vary substantially across segments. For instance, Japanese travelers assign 45% importance to price, compared with just 25% among Chinese travelers. Younger travelers (aged 18 to 24) place greater value on features like Wi-Fi and ticket flexibility, while higher-income travelers are more likely to prioritize features such as seat selection and priority services. [3]

**Implications:** Airlines that moved beyond rigid fare families toward dynamic, segment-tailored offers are best positioned to capture the full value that flows from travelers' genuine priorities. Most consumers are willing to pay incrementally for features they view as value adding—if those features are offered in the right way to the right customer.

**2. Myth: Custom-made services persistently give better experiences.**

**Reality:** Travelers want personalized services that reduce clamour and add sensible value. [2] They care more about clarity and control than customization for its own sake. Travelers are willing to pay more when they see clear value, especially features that enhance control, comfort, or peace of mind.

In recent years, airlines have raced to personalize every aspect of travel experience. They've added new fare classes in economy cabins, multiple seat types in premium cabins, more tiers in loyalty programs, and highly customizable onboard services such as “dine on demand” or entertainment profiles. But more choice doesn't always mean a better experience. Even features that are widely valued—such as seat selection—can become overwhelming when the traveler is presented with too many nuanced or unclear options. One traveler described spending more time choosing a seat than booking the flight itself—because of a fear of picking the “wrong” seat. This particular choice might be made more useful if the airline presented the differences in value between seats instead of just showing a seat map.

Digital experiences have followed a similar path. Travelers might now see hyper tailored offers in apps or loyalty portals, based on location, browsing history, or elite status. But when asked to recall which ones were actually useful, many struggle to name even one.

Our survey data suggests that practical features such as real-time travel assistance (for example, gate or delay alerts) and preflight customization (for example, selecting meals or seats) are seen as some of the most valuable types of personalization. Seventy percent and 65 percent of travelers, respectively, rate these as “somewhat” or “very important.” Asked to identify the

most valuable type of personalization, 28 percent overall (and 37 percent of travelers aged 65 to 74) selected real-time travel assistance. This suggests that what travelers most want is convenience and control over travel complexities. Generative AI could play a leading role in delivering just that. By enabling conversational trip planning, co-creating flexible itineraries, or powering intuitive chatbot interactions, Gen AI has the potential to simplify rather than overpower. Yet adoption is still early: Fewer than a quarter of travelers report frequently using AI tools when exploring or booking trips, and over a third say they've never experienced AI in their travels. This reveals a significant opportunity for airlines to apply Gen AI not just as a novelty but as a tool to enhance practical value across the customer journey. [4]

**Implications:** Travelers aren't primarily seeking more personalization; they're seeking better personalization that combines convenience and control. Airlines should strive to provide personalization that enhances utility and removes friction, prioritizing timely updates, self-service features, and clear choices that make the journey smoother.

### 3. **Myth: Travellers prefer to book travel components separately**

**Reality:** Many travelers prefer thoughtfully designed travel bundles—as long as those bundles reduce complexity and offer real value. [2] At first glance, it may seem logical that travelers who seek full control over their journeys would prefer to book flights, hotels, and other components individually. Previous McKinsey research shows that many travelers enjoy the planning process and value the ability to shape their itineraries on their own terms. But in practice, many travelers appreciate bundled offers that simplify choices and deliver clear value. Nearly 50% of all respondents express positive attitudes toward travel bundles that combine flights

with other services such as hotels, insurance, activities, or airport transfers. Only 25% say they prefer to book each element separately. The appeal of bundling is rooted in two powerful psychological drivers. First, travelers often perceive bundles as offering a discount—even when the actual savings are modest—tapping into a deeply ingrained behavioural instinct to secure a good deal. Second, bundles provide a sense of relief by simplifying decision-making. In an environment overflowing with options, curated offers help travelers make faster, more confident choices and reduce the stress of planning. Poorly constructed travel bundles at the wrong price points can erode trust, cause confusion, and ultimately lead to abandoned bookings. Well-designed travel bundles—tailored to customer needs and sensibly priced—can significantly boost both conversion and satisfaction. Hotels represent the most appealing bundling opportunity, with 70% travelers indicating they would “often” or “always” consider hotel bookings offered as part of their flight packages. Travel insurance (50 percent), tours and activities (45% percent). The age gap in bundling preference is striking 70 percent of 18-to-24-year-olds use travel bundles often or always, versus only 19 percent of those aged 75 or older. This generational divide suggests that bundling will likely grow in importance as younger travelers gain purchasing power. Regional variations are also notable: 70% of Saudi Arabian travelers and 66% of Chinese travelers view bundling positively, compared with just 15% of Japanese travelers and 30 % of US travelers. This suggests a need for market-specific approaches. [3]

**Implications:** Well-crafted travel bundles that preserve flexibility while offering clear value are compelling to many travelers—especially when adapted to local preferences and generational differences. Since the majority of travelers book their flights first, before other components, airlines are in an

ideal position to offer these bundled packages at the moment of highest intent.

#### 4. **Myth: Basic digital presence and traditional promotions are enough to sell airline products effectively**

**Reality:** Modern airline merchandising requires sophisticated techniques, including behavioral nudging, immersive content, and seamless omni channel experiences [2]

Previous myths examined what travelers value—from flexible pricing models to practical personalization to thoughtfully designed bundles. But understanding customer preferences is only half the equation. How these offerings are presented to travelers is equally critical, yet it often receives less attention. Our research indicates that advanced merchandising techniques can drive a 10 to 20 percent revenue lift for retail organizations by improving conversion, basket size, and traffic. While many airlines have invested in product development and pricing strategies, they often still rely on basic website functionality and standardized promotional approaches.

The most successful airline retailers have adopted sophisticated techniques that were pioneered by leading e-commerce players. These include grid-based modular layouts that enable dynamic personalization, behavioral nudging tactics that encourage conversion, and immersive visual content that brings the travel experience to life before booking.

McKinsey research on global airline merchandising capabilities reveals clear differences between top performers and lagging players. Top-tier airlines allocate 3.5 times more data and analytics resources and 1.7 times more integrative talent to merchandising, compared with lagging players. Notably, 63 percent of top performers optimize customer lifetime value as their primary KPI, while none of the lagging players do so.

Behavioral economics principles, applied thoughtfully to the booking flow, can achieve substantial impact. Techniques such as social-proof messaging (“customers like you chose this option”), time-limited offers, and scarcity indicators can increase conversion rates by reducing decision paralysis and creating appropriate urgency. When implemented well, these approaches don’t manipulate behavior—they help travelers make confident choices while revealing value opportunities that might otherwise be missed. [8]

Visual merchandising also plays a critical role. According to retail industry research, 85% of consumers rate product images and photos as “very” or “extremely” influential in their digital purchase decisions. Airlines with higher shares of ancillary revenue invest substantially more in user experience and design capabilities. Recognizing that immersive content, such as 360-degree cabin tours and destination videos, significantly improves conversion.

Perhaps the most important, effective merchandising now demands a truly omnichannel approach. Our data indicates that 77 percent of travelers consult multiple channels before booking, often switching between devices during their customer journeys. Airlines that enable seamless transitions—such as saving searches across devices or providing consistent personalization across platforms—capture more bookings and build stronger customer relationships over time.

**Implications:** Airlines should invest in merchandising as a strategic capability, augmented by dedicated leadership and cross-functional collaboration. The significant revenue potential justifies investments in data analytics, personalization capabilities, and agile teams that can rapidly test and implement digital merchandising concepts that are aimed at improving customer lifetime value instead of just achieving immediate conversion.

### 5. Myth : Recent growth of direct channels means they will soon dominate flight bookings

**Reality:** Direct channels have gained ground and have room to grow further—but intermediaries remain strong, and new players are entering the game [2]

Between 2016 and 2024, the share of global air travel bookings by value via airline-direct online channels (such as airline websites and apps) rose from 35% to 48%. The share of bookings by value via OTAs also increased, rising from 13 percent to 16 percent. Meanwhile, the share of bookings by value through offline channels (for example, physical travel agencies and airline ticket offices) declined sharply from 54 percent to 35 percent.

Despite this strong growth in value, direct bookings by volume still lag by comparison. Only 33 percent of survey respondents say they currently book flights directly with airlines. This reflects the fact that premium travelers tend to book directly, driving up value share, while cost-conscious or occasional travelers favour intermediaries—driving volume. The generational gap here is notable: just 28 % of travelers aged 18 to 24 book directly, compared with 65 % of travelers aged 75 or older. Booking behaviour also varies extensively by market, highlighting the influence of local dynamics. At the same time, the distribution landscape is diversifying. New entrants—such as Chase Travel in the United States, Check24 in Germany, and Qunar in China—are gaining traction, lifting nontraditional platforms to a 8% share of global flight bookings. These non-traditional platforms often combine elements such as financial services, comparison tools, and loyalty ecosystems. Moreover, they address key traveler concerns by offering price transparency, adding a human touch to service, and providing a more intuitive experience. Many

consumers already use these platforms for other purchases, which makes them feel more familiar and trustworthy than airline channels, especially for infrequent bookers. In China and Germany, usage of non-traditional platforms is especially pronounced, reaching 13 percent and 15 percent, respectively. In other major markets, such as Japan and Brazil, usage remains below 2 percent—underscoring that this shift is not uniform and can depend heavily on the influence of individual players.

**Implications:** Direct channels remain a powerful but underused lever, while a diverse ecosystem of intermediaries continues to play a vital role. By improving digital experiences and addressing regional dynamics, airlines can better capture direct demand while remaining competitive in an increasingly diverse distribution ecosystem.

### 6. Myth: Travelers' flight-booking frustrations mainly relate to legacy technology

**Reality:** Concerns about pricing transparency and flexibility far outweigh technical frustrations [2]

When asked about booking frustrations, travelers most often cite price-related concerns: 45% point to finding the best price, 30% to hidden fees or lack of transparency, and 30% to limited flexibility regarding refunds and changes. By contrast, technical concerns about complex comparison tools and lengthy booking processes rank lower.

These frustrations reveal an interesting generational split, with 25 % of 18-to-24-year-olds citing long booking processes as a frustration versus just 15 % of 65-to-74-year-olds. This divide could challenge assumptions that older travelers struggle more with digital tools, or it could indicate that the bar for digital performance is higher for younger generations.

When travelers report dissatisfaction with their most recent flight experiences, the primary concerns are flight punctuality (45%), seat comfort and space (35%), and customer service (30%). Only 25% cite booking- and technology-related concerns. This suggests that operational reliability and physical comfort remain more fundamental than booking concerns for overall customer satisfaction.

**Implications:** While technical improvements to the booking process matter, airlines can prioritize resolving pain points that affect value perception—such as the presence of hidden fees and change restrictions—and can reinforce positive perceptions through providing on-time performance and high-quality service.

#### 7. Myth: Digital convenience has sped up travel decision-making

**Reality:** Digital access encourages travelers to be more deliberate and research intensive [2]

When it comes to booking, air travel is often the first step—54% of travelers book their flights before they book accommodations, activities, or ground transportation. However, before making the actual purchase, most travelers take time to explore their options. As mentioned in myth #4, about 77% consult more than one booking channel—including airline sites, OTAs, and meta search engines. According to Expedia, travel bookers consume an average of 141 pages of travel content in the 45 days leading up to booking. More than one in four travelers spend three or more hours researching before booking. This trend is led by older travelers, but 27 percent of both Gen Z and millennial travelers report investing this amount of time.

**Implications:** Airlines should expect to meet with sustained consumer engagement across multiple touch points, instead of aiming for quick, single-session

conversions. Supporting the traveler's research process can be an essential part of earning their booking.

#### 8. Myth: Social media is the dominant source of travel inspiration

**Reality:** Travelers are influenced by a diverse blend of digital content and trusted personal recommendations [2]

For air travelers aged 18 to 34, platforms such as Instagram, TikTok, and YouTube are indeed influential. About 45 percent of respondents aged 18 to 24 and 46% of those aged 25 to 34 cite social media among their top sources of inspiration when planning journeys. But while social media certainly shapes travel inspiration, it doesn't dominate in the way that some industry narratives might suggest. Personal recommendations, for instance, remain powerful, with 39% of 18-to-24-year-olds pointing to friends and family as key sources for ideas.

For survey respondents of all ages, traditional digital channels continue to be relevant sources of influence: Search engines (41%), OTAs (41%), and airline and hotel websites (36%) all get cited more often than social platforms (29%). Notably, social media's influence declines significantly as age rises. Only 17 percent of 55-to-64-year-olds and just 9 % of those aged 65 to 74 cite social media as a major inspiration source. Airline and hotel websites, in particular, resonate strongly with older travelers. Among respondents aged 65 to 74, almost 41 % cite these websites as a source of inspiration, for those 75 and older, the number rises to 51 %.

**Implications:** Airlines should adopt multichannel strategies that reach beyond social media—and beyond pure transactions. Many travel sites focus too narrowly on booking, missing earlier chances to engage travelers. By offering compelling content and designing shareable

experiences that spark positive word of mouth, airlines can capture more attention during the crucial inspiration phase.

By aligning retail strategies with what travelers care about, airlines can achieve significant incremental revenue gains while also improving customer satisfaction. Survey data reveals that travelers are often more deliberate, value conscious, and practical than conventional wisdom suggests—and that their preferences vary significantly by generation, region, and travel purpose.[1] Airlines that recognize these nuances and adapt their retail approaches accordingly will be better positioned to compete not just with traditional players but also with the broader set of travel retailers and intermediaries seeking to thrive within the evolving travel ecosystem.

## CONCLUSION

The New Distribution Capability of the airlines embodies a paradigm shift in airline retailing and distribution strategies. Airlines offers significant benefits in terms of operational efficiency, and enhancement in customer experience. The airlines offer personalized services, restructure booking processes, and gain better control over distribution channels that has the potential to revolutionize the industry. However, the path to widespread airline retailing adoption is not without challenges, including technical integration hurdles and the need for industry-wide standardization. As the airline industry continues to evolve, emerging trends such as increased automation, AI-driven personalization, and blockchain integration are likely to build upon the foundation laid by the existing New Distribution Capabilities. Further the airlines, travel agents, and technology providers must collaborate closely to overcome existing challenges and fully realize the transformative potential of NDC. The success of this attempt will eventually determine the future landscape of airline

distribution, shaping how air travel will be marketed, sold, and experienced by consumers worldwide. As the industry progresses, continued research and analysis will be crucial to understanding the long-term impacts of NDC on airline profitability, market dynamics, and customer loyalty in an increasingly digital and personalized travel ecosystem.

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