

Travel, Logistics & Infrastructure

Opportunities for industry leaders as new travelers take to the skies

A new global survey points to a greener future for air travel.

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Travel fell sharply during the COVID-19 pandemic—airline revenues dropped by 60 percent in 2020, and air travel and tourism are not expected to return to 2019 levels before 2024.¹ While this downturn is worrisome, it is likely to be temporary. McKinsey's latest survey of more than 5,500 air travelers around the world shows that the aviation industry faces an even bigger challenge: sustainability.

The survey results indicate emerging trends in passenger priorities:

- *Most passengers understand that aviation has a significant impact on the environment.* Emissions are now the top concern of respondents in 11 of the 13 countries polled, up from four in the 2019 survey. More than half of respondents said they're "really worried" about climate change, and that aviation should become carbon neutral in the future.
- *Travelers continue to prioritize price and connections over sustainability in booking decisions, for now.* This may be partly because no airline has built a business system or brand promise on sustainability. Also, some consumers may currently be less concerned about their own impact because they're flying less frequently in the pandemic. That said, almost 40 percent of travelers globally are now willing to pay at least two percent more for carbon-neutral tickets, or about \$20 for a \$1,000 round-trip, and 36 percent plan to fly less to reduce their climate impact.
- *Attitudes and preferences vary widely among countries and customer segments.* Around 60 percent of travelers in Spain are willing to pay more for carbon-neutral flights, for example, compared to nine percent in India and two percent in Japan.

This article outlines steps that airlines, airports, and their suppliers could take to respond to changing attitudes and preferences. The survey findings suggest that airlines may need to begin

with gaining a deeper understanding of changes across heterogenous customer segments and geographies. With those insights in hand, they could tailor their communications, products, and services to differentiate their brands, build awareness among each passenger segment, and better connect with customers.

The survey findings point to fundamental and ongoing changes in consumer behavior

After a decade of steady growth in passenger traffic, air travel was hit hard by the pandemic. International air travel immediately fell by almost 100 percent, and overall bookings declined by more than 60 percent for 2020, according to Airports Council International. At the time of writing, revenue passenger miles have returned to close to pre-pandemic levels in the United States, but still lag behind in other markets.² In its October 2021 report, before the Omicron variant emerged, the International Air Transport Association (IATA) forecast that the industry's losses would be around \$52 billion in 2021 and \$12 billion in 2022.³

Furthermore, travelers' preferences and behaviors have changed sharply during the pandemic, particularly around health and safety requirements. An Ipsos survey for the World Economic Forum found that, on average, three in four adults across 28 countries agreed that COVID-19 vaccine passports should be required of travelers to enter their country and that they would be effective in making travel and large events safe.⁴ And a 2021 survey by Expedia Group found that people buying plane tickets now care more about health, safety, and flexibility than previously. But, there is also renewed interest in travel as nearly one in five travelers expected travel to be the thing they spent the most on in 2021, one in three had larger travel budgets for the year, and many were looking for new experiences such as once-in-a-lifetime trips.⁵

Comparing McKinsey's 2019 and 2021 survey results, sustainability remains a priority as

¹"Back to the future? Airline sector poised for change post-COVID-19," McKinsey, April 2, 2021; "What will it take to go from 'travel shock' to surge?" McKinsey, November 23, 2021.

²"COVID-19: October 2021 traffic data," International Air Transport Association (IATA), December 8, 2021.

³"Economic performance of the airline industry," IATA, October 4, 2021.

⁴"Global public backs COVID-19 vaccine passports for international travel," Ipsos, April 28, 2021.

⁵"New research: How travelers are making decisions for the second half of 2021," Skift, August 26, 2021.

respondents show similar levels of concern about climate change, continue to believe that aviation must become carbon neutral, and want their governments to step in to reduce airline emissions. Some changes were more striking. The share of respondents who say they plan to fly less to minimize their environmental impact rose five percentage points to 36 percent. In 2021 half of all respondents said they want to fly less after the pandemic. Changes in opinion varied across markets. Passengers in the UK, US, and Saudi Arabia, for example, were more likely to feel “flygskam,” (shame about flying) while those in Spain, Poland, and Australia felt significantly less guilty about flying.

It is worth tracking these trends in each market and demographic, because passengers’ experiences and opinions are increasingly relevant: passengers spend far more time online, increasingly trust each other’s recommendations more than traditional marketing, and can reshape brand perceptions faster than ever.⁶ In some markets consumers may reward airlines that meet rising demands for environmental sustainability—and punish those who fall behind.

The Australian airline Qantas may be acting on a similar belief. In November 2021, it announced a new “green tier” in its loyalty program. The initiative, based on feedback from passengers, is “designed

to encourage, and recognize the airline’s 13 million frequent flyers for doing things like offsetting their flights, staying in eco-hotels, walking to work, and installing solar panels at home”. Qantas states that it is one of the largest private-sector buyers of Australian carbon credits, and it will use program funds to support more conservation and environmental projects.⁷

Given these shifting trends, it may be helpful for all industry stakeholders to maintain a deep and up-to-date understanding of consumer segments in each market that they serve. Three main findings about today’s travelers emerged from the 2021 survey:

Finding 1: Most travelers now have concerns about climate change and carbon emissions—and many are prepared to act on these concerns

Concern about carbon emissions from aviation did not rise much during the pandemic, probably in part because air travel declined so sharply. About 56 percent of respondents said they were worried about climate change, and 54 percent said aviation should “definitely become carbon neutral” in the future.

While these numbers have increased only one or two percentage points since 2019, the share of respondents who rank CO₂ emissions as their top concern about aviation—ahead of concerns such as noise pollution and mass tourism—rose by nine

⁶ “Understanding the ever-evolving, always-surprising consumer,” McKinsey, August 31, 2021.

⁷ “Qantas frequent flyers to be rewarded for being sustainable,” Qantas media release, November 26, 2021.

“A look at how people around the world view climate change,” Pew Research April 18, 2019.

Washington Post-Kaiser Family Foundation climate change survey, July 9 to August 5, 2019.

About the survey

We asked about 5,500 people in 13 countries, half of them women, to answer 36 questions in July 2021. Each had taken one or more flights in the previous 12 months. More than 25 percent took at least half of their flights for business reasons; 5 percent had taken more than eight flights in the previous 24 months. They ranged in age from 18 to over 75 and hailed from the US and Canada, the UK, Sweden, Spain, Poland, Germany, Saudi Arabia, India, China, Japan, Australia, and Brazil.

Topics included concerns about climate change and carbon emissions, carbon reduction measures, and factors influencing tourism stays and activities.

We compared the results to those of a survey asking the same questions that we conducted in July 2019.

percentage points to 34 percent. More than 30 percent of respondents have paid to offset their CO₂ emissions from air travel.

Finding 2: Price and connections still matter much more than emissions to most travelers

Of the nine major factors travelers consider when booking a flight, carbon emissions consistently rank as sixth-most important across customer segments. This may be partly because most airline marketing centers around low cost or superior service, and pricing and revenue management are targeted at price and best connection. Most booking websites allow prospective travelers to sort by price and number of connections, for example, but not by carbon footprint. Google Flights has made a first

step, showing average CO₂ emissions per flight and improving transparency for travelers.

Travelers might begin to make different choices if emissions featured more prominently in the booking process—particularly if more airlines offered CO₂ reduction measures that delivered genuine environmental impact.

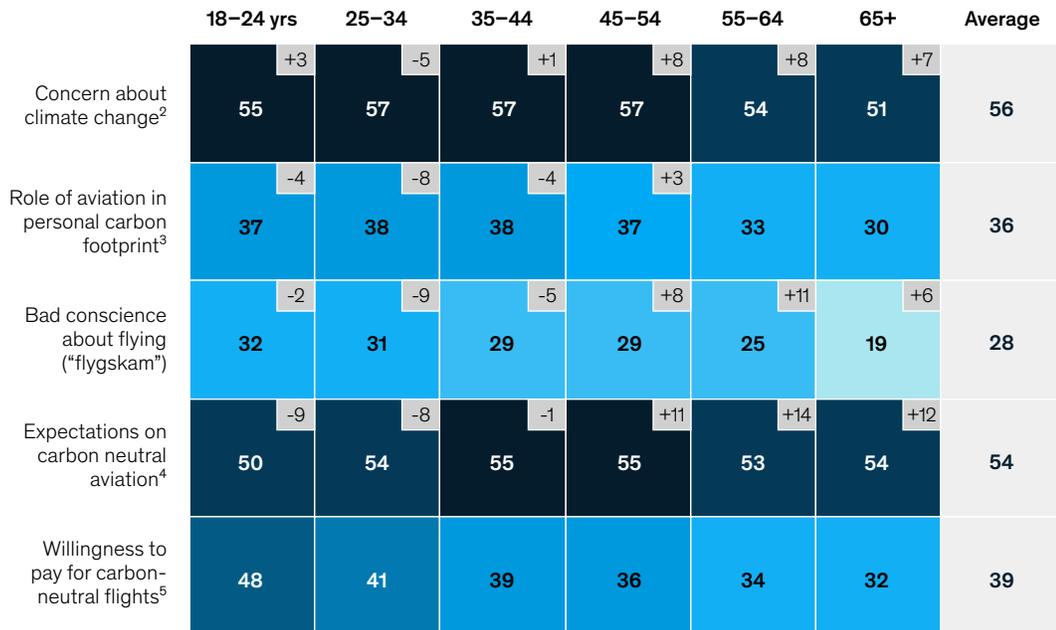
Finding 3: Attitudes vary widely by demographics and geography

Beliefs about the seriousness of climate change, and how to respond to it, vary across demographics and geographies (exhibit). Although younger people are generally more aware of the predicted consequences of climate change, older cohorts

Exhibit

Younger customers are more conscious about flying, and more willing to pay for carbon-neutral flights.

Areas of concern by age split¹, % of respondents Low High + Change since 2019



¹ Counting responses 5 and 6 on the scale (1=strongly disagree, 6=strongly agree).
² % “really worried” about climate change.
³ % for whom aviation plays a “major role” in their footprint.
⁴ % agreeing aviation should “definitely become carbon neutral.”
⁵ % willing to pay \$20+ more for a \$1,000 flight.
 Source: McKinsey “CleanSky” survey, July 2021

have become more concerned about climate change since the 2019 survey. In some countries, large majorities see climate change as a major threat, while that represents a minority view in other countries.

The survey shows that frequent travelers feel slightly more shame about flying than other respondents—37 percent compared to 30 percent—but show a much lower intention to reduce their air travel to minimize their climate impact, at 19 percent compared to 38 percent.

According to Pew Research, more than 80 percent of people in Greece, Spain, France, and South Korea believe climate change is a major threat, compared to around 40 percent of those in Russia, Nigeria, and Israel.⁸ According to 2019 polling by the Washington Post and Kaiser Family Foundation, more than three-quarters of Americans believe it represents a major problem or a crisis—but fewer than half are willing to pay to help address it.⁹

These numbers may change quickly in the next few years as discussions about climate change become less abstract as oceans rise and storms, forest fires, and droughts become more severe. Instead of being one topic of concern among many, millions more people around the world may come to see climate change as today's greatest challenge.

This shift seems to be apparent in government action, especially in mature economies. The US, for example, announced its intention to exit the Paris Agreement in June 2017 but pledged to rejoin in April 2021.¹⁰ And in September, the White House set a goal for the country to produce 3 billion gallons of sustainable aircraft fuel annually by 2030—up from about 4.5 million gallons produced in the US in 2020—which would cut carbon emissions from flying by 20 percent compared with taking no action.¹¹

How the industry can be cleared for takeoff

Travelers' attitudes and behaviors appear to be in flux, and will likely continue to change. Depending

on the world's progress in preventing and treating COVID-19, the industry will likely take at least a couple of years to recover from the downdrafts caused by the pandemic.

In this unique moment in aviation history, airlines may be able to communicate in new ways to inspire passengers to join the fight against climate change. Based on McKinsey's experience in aviation and other industries around the world, there may be an opportunity for carriers to make it "easy to do good". When following such an approach, experience shows that customers are drawn to straightforward language, demonstrations of what the industry is doing in this area, and the tangible benefits of those efforts. The most compelling stories are positive and connect with customers' emotional needs.

As in the early days of travel advertising, airlines could reinforce the idea that the journey is the destination—that "getting there is half the fun." By inviting customers to get involved in creating a greener future and own the solution, they could forge new partnerships and deepen loyalty.

Actual progress will be essential; organizations that talk about sustainability without demonstrating action may quickly be held to account. Simply keeping pace with trends or regulatory requirements will offer no advantages. Airlines that move boldly, such as by replacing rather than modifying a loyalty program with some kind of "planet-positive" scheme, will stand out from competitors.

The survey results and McKinsey's work in the industry lead us to believe that the market is ready for a forward-thinking airline to chart a route to a cleaner future for the industry. Leading airlines that build a business strategy and brand promise on sustainability will likely attract a growing share of business and leisure travelers, fresh capital and talent, and new allies across the industry, government, and society at large.

In the years ahead, more customers will be willing to pay for sustainability, particularly if airlines can engage them with interesting approaches, such as

⁸ "A look at how people around the world view climate change," Pew Research April 18, 2019.

⁹ Washington Post-Kaiser Family Foundation climate change survey, July 9 to August 5, 2019.

¹⁰ "Climate change: US formally withdraws from Paris agreement," BBC, November 4, 2020; "President Biden sets 2030 greenhouse gas pollution reduction target," White House fact sheet, April 22, 2021.

¹¹ "Biden administration advances the future of sustainable fuels in American aviation," White House fact sheet, September 9, 2021.

gamification in frequent flyer programs, opt-out rather than opt-in offsets, “green fast lanes” for check-ins and security control, and customized emission-reduction offers. Decarbonization could become the standard to reach and maintain next-tier levels in loyalty programs. Passengers will be able to join the global decarbonization team and transform flight shame into flight pride.

Like many private flyers, corporate customers will look for ways to mitigate their CO₂ footprint. Passenger and cargo airlines could craft attractive

decarbonization programs to engage the rising numbers of corporates aiming to significantly reduce their scope 3 emissions from air transport.

No single set of approaches will be effective in every geography or with every passenger segment. But airlines with a deep understanding of their customers’ changing needs and desires will continue to outperform those that don’t. Such organizations could recruit more of their passengers to the decarbonization team while protecting their brands, the future of aviation, and the planet itself.

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The authors would like to thank Joost Krämer for his contributions to this article.

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