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Beyond the carousel

Better baggage handling through enhanced collaboration among airlines and airports



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Beyond the carousel

Better baggage handling through enhanced collaboration among airlines and airports

By Charles Vincent, Hans Deijkers, Jordan Strik, Vanessa Atmadja, Douglas Polizzi and Maureen Stancik Boyce

By 2020, the number of airline passengers is expected to double, soaring to an annual rate of over 7 billion worldwide.¹ In addition, intensified security measures translate to more checked bags per passenger and a more complex baggage screening process. Together, these trends will push demand beyond the capacity of today's baggage handling systems. A new baggage handling solution and new ways for airlines and airports to collaborate are vital to managing this urgent challenge.

The impact of errors and the cost of baggage handling

In Western Europe, Asia Pacific and North America, increasing airline passenger traffic will continue to push up baggage volume, further burdening already high peaks in baggage load each day, and making the current problems at hub airports even more acute. (The increase in passenger traffic typically follows growth of gross domestic product [GDP], and is expected in spite of disruptive events such as the SARS outbreak, the September 11th terrorist attacks, the liquids and gels threat by terrorists at London Heathrow and the conflict in Iraq.) This growth leads to a boiling point expressed by a high *IR rate*, which measures the occurrence of *baggage irregularities* – defined as temporary misconnects and mishandled bags (including bags that are delayed or end up at the wrong destination).

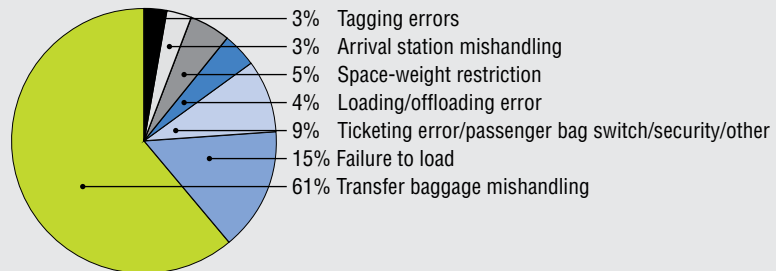
Overall, the percentage of lost bags per passenger is rising. In Europe, 15.6 bags per thousand passengers experienced irregularities in 2005, up 12 percent from 2004.²

In the same year, the overall U.S. rate was 6.04 bags per thousand passengers, up 23 percent from 2003.³ The large share of transfer flights in Europe explains this difference in IR rate, as the main cause of baggage delays is transfer traffic (see Figure 1).

For transfer flights, IR rates soared to 30 per thousand, two to five times higher than the rate for all flights.⁴ In percentages, this 3 percent of baggage irregularities is alarming when compared to other process industries, such as oil and gas, and automotive, which are striving for “zero defects” and failures measured in parts per million.

It is not only transfers that cause a high IR rate, but also new security measures. A U.S. Department of Transportation report says that 107,000 more flyers lost checked bags in August 2006 than in August 2005, an average of nearly 14,000 a day.⁵ And in September 2006, the number of lost bags nearly doubled in comparison to September 2005, reaching more than 183,000.⁶

FIGURE 1.
Causes of baggage delay worldwide, 2005.



Source: Association of European Airlines, Annual Consumer Report 2005.

The average cost of each mishandled bag is US\$130, an order of magnitude more than the average cost to handle a bag in a European hub, which was about US\$6.40 in mid-2006.⁷ Overall, mishandled bags cost the airlines US\$2.5 billion.⁸ If costs per passenger remain the same, conservative estimates expect this figure to exceed US\$5 billion by 2020.⁹ This trend must be reversed, as airlines desperately look for ways to decrease costs.

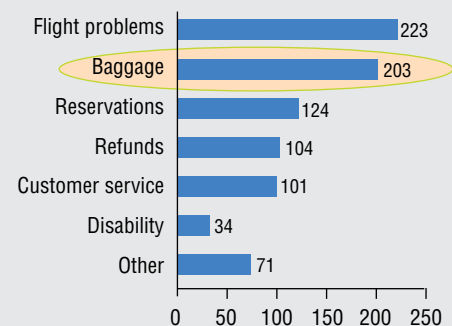
Not only are the costs in baggage handling high and growing, but customers are also more dissatisfied. Baggage now ranks second on the customer complaints list, and the ranking is likely to worsen due to limited baggage capacity in the coming years (see Figure 2).¹⁰ Long baggage claim time, delayed flights and greater numbers of baggage problems are causing a ripple effect of failures in baggage handling.

The effects of decreasing customer satisfaction also put future revenue at risk. As long as bags arrive on time, passengers can remain blissfully unaware of the process. However, once baggage is delayed, it becomes a dissatisfier with long-term financial implica-

tions. In today's highly competitive market, there is little stopping passengers from choosing another airline or airport when service demands are not met. This trend has been recognized by the industry, placing customer service on the top of the priority list of objectives for 2010.¹¹

Ultimately, the question facing airlines and airports is: How can baggage handling be improved quickly in order to reduce costs while providing fewer lost bags and improving the customer experience?

FIGURE 2.
Number of passenger complaints, January through September 2006.



Source: U.S. Department of Transportation, "Air Travel Consumer Report." November 2006. <http://airconsumer.ost.dot.gov/reports/atcr06.htm>

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Baggage handling in a changing world

Airlines and airports alike must think “beyond the carousel” and consider ways to change their approach to baggage handling so that they can stand out from the crowd. To do this, they must overcome several key trends, including:

- Lack of integration among information systems and processes
- Limited synchronization between workforce and systems
- Little collaboration among airlines and airports
- Mounting security needs
- Increasing competition among airlines and among airports.

Lack of integration among information systems and processes

Sixty percent of today’s baggage irregularities are caused by a lack of integrated systems and processes.¹² Airports have grown organically throughout the years, and are now dealing with a mixture of inflexible legacy mechanical systems that are difficult to integrate efficiently. This leads to an inability to solve any problems that arise or fix bottlenecks in the operations. A technical or organizational incident during peak hours can negatively affect operations for many days. Because of current weak information-sharing capabilities, five minutes of downtime sometimes ripples to result in thousands of lost bags, and can affect not just one, but many connecting airports.

These disparate mechanical systems are further limited by insufficient information available to and integrated with the various systems. There is a lack of information associated with each bag – such as baggage characteristics, priority status, precise location and expected workforce action – that would speed the time required to find lost bags and solve problems. The lack of an integrated view among baggage moving systems and other airline operating systems, such as reservations, check-in and flight delay information, also causes faulty forecasting and planning of baggage handling resources.

Limited synchronization between workforce and systems

The capability to integrate the workforce – consisting of all personnel involved in the operation of baggage handling – with processes and systems is another key issue. Today’s workforce does not have either sufficient processes or technology to deal with unexpected incidents, such as mechanical and system failures – or with security measures, such as actions to combat terrorist threats. Also, as workers’ schedules are determined in advance, there is limited flexibility to redirect resources as needed during unexpected peaks or emergencies.

To complicate matters, workforce and baggage handling systems have different “flows.” Today’s baggage systems are geared toward a continuous flow of baggage, while flight arrivals and departures are actually higher at certain times of the day, causing peaks and valleys in baggage volume.

Limited collaboration among airlines and airports leads to high rates of mishandled baggage.

At peak times, the systems are greatly strained; at other times, there is not enough work to keep employees busy.

Implementing large-scale automation without addressing its impact on the existing workforce leads to unsynchronized manpower and technology, and decreases motivation. Because both turnover and absenteeism rates are currently high, it is hard to properly train baggage-handling personnel. For instance, the turnover rate at the Transportation Security Administration at U.S. airports is around 25 percent, which is about 5 percent higher than the transportation and warehousing industry average, and 7 to 9 percent higher than manufacturing industries.¹³

Little collaboration among airlines and airports

Another origin of today's high (mis)handling rates results from the lack of a holistic view, which, in turn, is caused by limited collaboration among airlines and airports. Collaboration in investments is required to optimize solutions, as they require all parties to participate to provide results. Airlines have a *modus operandum* that is very different from airports; as their services are perishable, they are driven by yield. That is, an empty seat can never be filled once a plane has taken off. Airports, however, are much more focused on easing their sunk cost as a result of large infrastructure investments. Increasingly, airports are complementing their aeronautical revenues with other sources, such as retail. As a result, time horizons and priorities are different, inhibiting an optimal alignment in a baggage handling project, which can be very expensive (typically hundreds of millions of dollars).

There are also conflicting perceptions by airlines of airports and vice versa. Airports perceive airlines as cost-focused and short-term driven. Airlines see airports as having controlling power leading to unfair market balance. Another conflict is that airlines tend to bear the negative consequences of baggage handling problems, yet airports control most of the process and typically control the baggage handling equipment.

The different challenges that complicate collaboration can be summarized as follows:

- Airlines face shorter time horizons for meeting financial targets, as well as stronger cost pressures than airports, and current trends are making them shorter still – putting investments in baggage handling at risk. One trend shortening the financial horizon is the power shift to airline alliances. Another is increased complexity due to the entrance of investors in the aviation industry; recent examples include acquisitions by Macquarie Bank of Australia (Copenhagen Airport, Brussels Airport) and Spanish construction company Ferrovial (BAA). As a result, synchronizing investment priorities among airlines and airports will likely be inhibited when strong necessity is lacking, such as when governments do not impose regulatory change.
- Infrastructure ownership guides investment priorities and the need for collaboration. Airports often own the baggage infrastructure (such as the conveyor belts, trucks and the systems and processes to manage them), but there are also airlines that manage their own terminals, including ownership of the infrastructure

and equipment. This complicates collaboration in cross-airport solutions, such as radio frequency identification (RFID), as airports that own all baggage infrastructures are focusing on long-term investments while the airlines owning a considerable part of the infrastructure focus more on optimizing their current solutions.

A positive step toward collaboration occurred in April 2006 when both industry groups recognized the need for better collaboration. European airport CEOs and airline CEOs met in advance of a planned aviation summit, specifically to discuss how to better collaborate on different strategic topics.¹⁴

Mounting security needs

Security remains of vital importance for both airlines and airports. Terrorist threats and security requirements will continue to place a heavy burden on baggage handling as the amount of checked-in baggage increases. Ongoing uncertainty about frequently changing security regulations means that their full impact on the future of baggage handling is unclear.

The domino effect of security actions

In August 2006, after officials reported uncovering a terrorist plan at London's Heathrow Airport,¹⁵ many thousands of passengers missed flights due to security line delays – the supporting reservations and baggage handling processes and systems simply could not accommodate the unexpected events on this scale. The resulting problems affected airports and passengers across the UK and at hundreds of airports in other countries as well.

Changing security regulations have a profound effect on baggage handling. An example is that since August 2006, more stringent security regulations have led to a 25 percent rise in the amount of checked-in baggage.¹⁶ Therefore,

the cost of regular bag processing is skyrocketing. In the U.S. alone, US\$3.1 billion is spent on baggage screening – representing more than half of the U.S. Travel Safety Administration (TSA) budget.¹⁷ This amount is even more striking when compared to the approximately US\$13 billion in total operating revenue that all U.S. commercial airports collectively generated in 2005.¹⁸

In addition, the new regulations on hand luggage (such as the restriction on liquids and gels) have forced passengers to check-in valuable items that are not covered under the airlines' liability and, therefore, cannot be claimed when the luggage is lost.

Another example is that, until recently, transfer baggage from countries deemed as safe did not have to be screened. In the summer of 2006, a 100 percent transfer screening regulation was put in place in Europe. As a result, airports incurred significant costs to rearrange processes and invest in new screening technology. These recent changes have created the need to move from today's fragmented national regulation system toward an integrated framework to effectively enable safe air travel.

Increasing competition among airlines and among airports

The increase in suppliers leaves passengers with a range of choices, raising the pressure for airlines to meet passenger demands – as lost bags lead to lost customers. At the same time passenger traffic is increasing, aspects of traditional network carriers and low cost carriers (LCCs) are converging, increasing competition. For the traditional network carriers, there is a constant pressure to reduce the costs per available seat kilometer (ASK). The ASK for network carriers is, on average,

Airports with low minimum connection times offer airlines the ability to schedule more flights – and are preferred by passengers.

above US\$0.10, while for LCCs it is between US\$0.02-\$0.08.¹⁹ Conversely, LCCs are adopting aspects of network carriers, as seen by AirAsia's plan to cooperate with other LCCs to enable long-haul, cross-continental flights. In addition to Asia, the U.S. – with its focus on long-haul, point-to-point aviation – seems an ideal target market for stronger development of LCC models. Converging business models and increased competition put more pressure on addressing customer complaints, including lost baggage.

Similarly, the competition among airports is increasing. The strong market position airports have enjoyed for the last two decades has started to fade. The traditional model, in which airlines are based in and schedule most of their flights through a single airport, is becoming a thing of the past. Airlines have formed alliances that allow them the choice of at least two airports, which fosters competition among airports.

This shift not only calls for more efficient operations to reduce landing fees, but also requires airports to focus on key differentiators such as minimum connection time (MCT) – the established minimum time period needed to connect an inbound flight to an outbound flight. The baggage transfer process is part of the critical path determining MCT today.

Airports with low MCTs not only offer airlines the advantage of being able to schedule more flights during the day, but also are preferred by more passengers because of shorter total travel time. This can translate into more potential revenue as airlines increase their passenger capacity and are able to offer more efficient transfer times for passengers. Better baggage handling can allow an airport to more consistently achieve its MCT, thus providing an edge over other airports.

The next generation baggage handling solution



Airlines and airports need new ways to address the declining customer satisfaction and rising costs related to baggage handling. Meeting these challenges will require airports and airlines to dramatically reduce costs and improve baggage handling to lay the basis for market differentiation. By 2010, industry leaders will need to have developed a new process that is shaped by shared responsibilities, standardization and joint IT investments (see Figure 3). Above all, enhanced collaboration among airlines and airports is essential.

Collaboration as the foundation

Greater collaboration in the baggage handling process should include the sharing of risks and rewards by airlines, consortiums and airport authorities. By forming alliances and establishing more shared services, tighter integration among airlines and airports can make it easier to track and trace baggage, not only reducing the number of lost bags, but also improving efficiency and profit margins. Common IT and communication standards between partners will enable continued harmonization of airline systems.

Managing the process together, each can benefit by using the other's services – such as when the airport's visibility of baggage is available to airlines. This requires a strategic partnership between airlines and airports. Airlines can benefit from providing a better customer experience that boosts passenger loyalty, while airports stand to gain revenue from landing fees as airlines and passengers choose to fly into their hubs, perhaps even more often.

FIGURE 3.
Approaches to baggage handling, today versus 2010.

Today		2010	
<ul style="list-style-type: none"> • Separate processes for airlines and airports 	➔	<ul style="list-style-type: none"> • Merged processes across service providers 	
<ul style="list-style-type: none"> • Separate responsibilities for parts of the baggage handling process 	➔	<ul style="list-style-type: none"> • Shared responsibility for baggage handling process 	
<ul style="list-style-type: none"> • Airports as “suppliers” owning infrastructure and mechanical systems • Airlines as “customers” owning services 	➔	<ul style="list-style-type: none"> • Shared capital investment 	
<ul style="list-style-type: none"> • Separate baggage identification standards used by airports and airlines 	➔	<ul style="list-style-type: none"> • Unified baggage identification standard 	
<ul style="list-style-type: none"> • Separate IT systems and investments 	➔	<ul style="list-style-type: none"> • Joint IT systems 	
			
<ul style="list-style-type: none"> • First tests and pilots for a new, integrated approach 	➔	<ul style="list-style-type: none"> • Mature processes are revalidated and refined 	

Source: IBM Global Business Services analysis.

The new collaborative partnership rests on the following pillars:

- Install a top management meeting structure for key baggage handling parties
- Agree on baggage handling services
- Install advanced and smart operational support functions and levels.

Install a top management meeting structure for key baggage handling parties

In order for a collaborative partnership to succeed, agreements on long-term objectives, strategies, roles and responsibilities are required. Quarterly partnership review meetings are held to remove roadblocks that hinder baggage handling improvements of each partner. Also, there is weekly and monthly joint reporting on the operations status, incidents, actions and progress by all stakeholders in the baggage handling program.

KLM Royal Dutch Airlines and Amsterdam Airport Schiphol: Collaborating to improve day-to-day tasks

KLM Royal Dutch Airlines (KLM) has its home base at the Amsterdam Airport Schiphol. This major European airline and airport decided to work together to improve the IR rate using a structured approach. Each week, they met to identify the root causes of the IR rate, discussing all major incidents, both operational and technical. Jointly, they devised both short-term and long-term solutions to address them. Weekly meetings brought together the airline and airport, as well as baggage system suppliers, from the management level to the operational level.

As a result, each gained a better understanding of the other's processes. Improved collaboration enabled them to both avoid and solve incidents. With minimal capital investment, the IR rate decreased more than 40 percent from 2002 to 2006, and is now well below the average IR rate for large hub airports.

Agree on baggage handling services

Airlines and airports need to come to agreement on the baggage handling services that will be offered in particular locations. Traditionally, airports acted as the sole suppliers of services while airlines were, for the most part, in the position of having to accept whatever was offered. In the new collaborative environment, airlines will be the co-architects of these services. By partnering in the development of baggage handling services, airlines will obtain improved support for their flight operations, and airports will provide the right level of support at the right time for their customers. This result will serve to provide higher quality service at a much lower cost.

Install advanced and smart operational support functions and levels

The formalization of structure translates into operational day-to-day processes. In a collaborative partnership, it is made explicit how suppliers contribute to – and take responsibility and accountability in – supporting the operation. An example is providing various support levels for different baggage handling issues. For a specific baggage handling failure, an amount of time is dedicated to solve the problem – say four hours. This “down-to-up” time is advanced by an additional level of support – a contingency period of ten minutes, for example. Within this time, suppliers track the origin of the failure, analyze consequences and requirements, and decide whether to deploy backup systems to run in parallel or run in degraded mode while solving the issue.

Innovative business concepts to improve baggage handling performance

With collaboration as the foundation, we recommend the following additional actions to make the most of the growing baggage handling opportunity:

- Treat baggage handling as an end-to-end process
- Leverage promising concepts and solutions
- Refine business models in innovative ways
- Integrate the workforce and baggage systems.

Treat baggage handling as an end-to-end process

Treating baggage handling as an end-to-end process means that the baggage can be managed from “door-to-door.” This entails control and tracking of a particular bag from the time it leaves the passenger until the passenger claims it at his or her destination.

Such end-to-end baggage handling requires a shift from mechanical system orientation to process orientation that includes goals for performance improvement, with assignable responsibilities and operational process continuity. Key performance indicators are specified at every stage in the process, and people are assigned responsibility for each of them.

Furthermore, using a process view enables tracking of the individual bag throughout its journey. The IT systems should be able to visualize the right bag, in the right place, at the right time and determine if the bag is being transported correctly. Then, it is possible to intervene when events occur that impact baggage handling capacity, enabling the system to prioritize the processing of specific bags as required.

IT systems should be predictable in error situations – parallel systems should be available to avoid total system shutdown.

By treating baggage handling as an extended, integrated process, any gaps and bottlenecks become more evident and can be addressed. To enable this holistic view, the IT infrastructure needs to use technologies and standards, such as those proposed by the International Air Transport Association (IATA) for RFID. Furthermore, systems need to be predictable, especially in error situations. To avoid total system shutdown, there should be parallel IT and mechanical systems that allow processing to continue even when parts of the system become unavailable (see Figure 4).

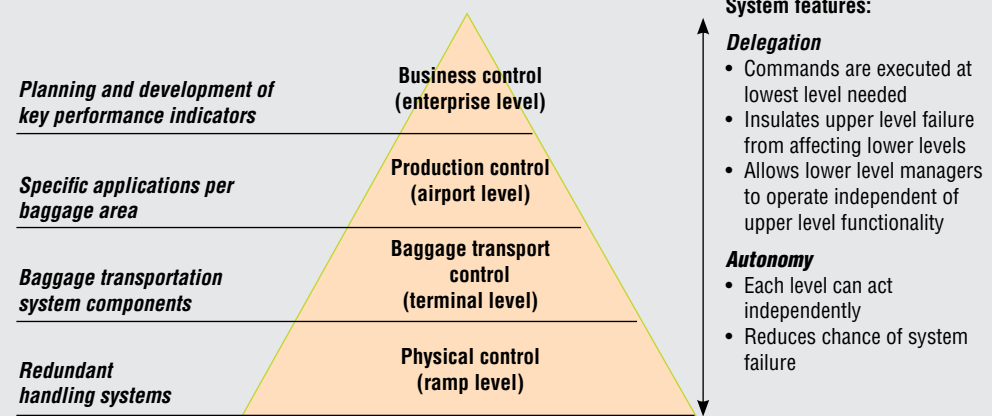
By 2010, airports and airlines should have a holistic baggage handling view. This will enable them to build businesses around their services with enabling physical assets. Due to easier connectivity with partners, airports can bring services to their customers, including baggage tracking and current security status.

Other promising approaches to baggage handling that can contribute to improving part of the end-to-end process include: one center for coordination of baggage from door-to-door, self-service baggage drop-off, simulation and optimization software, baggage reconciliation and “reflighting,” personnel task allocation and optimization, integration of passenger flow information, worldwide baggage tracking and tracing by customers, and automated transport to and from aircraft stands.

Leverage promising concepts and solutions

New ways of organizing the business and promising technologies can enable closer collaboration and a more holistic view of baggage handling, particularly component business modeling (CBM), use of a service-oriented architecture (SOA) and RFID.

FIGURE 4. **A flexible, self-healing baggage handling system.**



Source: IBM Global Business Services analysis.

Collaboration is enabled by business models that allow parts of the business to be outsourced or connected in more efficient ways, thus creating a specialized enterprise.²⁴ A component-based business model – developed using CBM methodology – can help new business models evolve as business functions are broken into autonomous, manageable “business entities” or components. The new model can be planned, monitored and run in a more collaborative way.

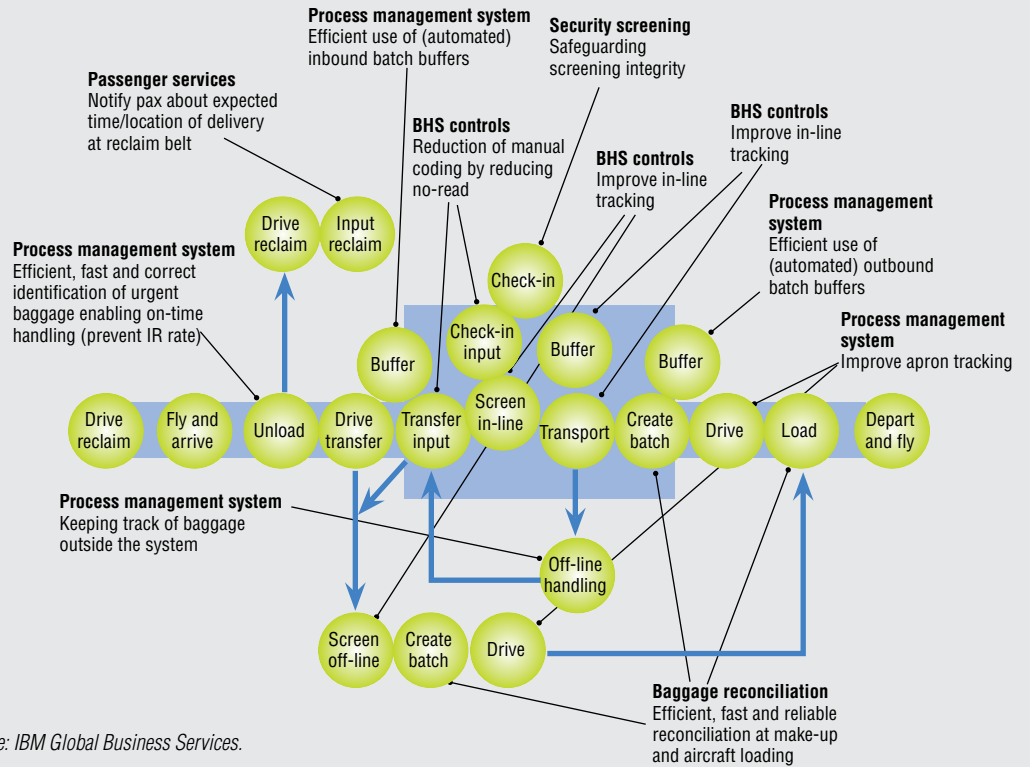
The component-based business model is complemented by SOA – an IT infrastructure designed to exchange services among the different business components in an organization. SOA enhances information sharing among baggage systems and other systems. Linking systems enables easier and more flexible information exchange, improved quality of baggage handling through more up-to-date and complete data, and connection of baggage information with passenger information.

RFID is a key underlying technology that enables, in conjunction with traditional bar-coding techniques, virtually 100 percent tracking and tracing of baggage to improve IR rate, lowering the need for lost baggage retrieval. This is true particularly for cases of delay and when passengers risk missing connecting flights. While RFID can provide many benefits, its adoption has been slow thus far, primarily due to lack of investment funding, substantial implementation costs and industry-specific challenges the technology must be able to handle (such as the impact of wind, extreme temperatures and static electricity). As these issues are being addressed, many airports see benefits from RFID and are investing in the technology. For example, McCarran International Airport in Las Vegas recently invested US\$50 million in an RFID system.²⁰

Hong Kong International Airport: RFID expected to provide significant benefits

In October of 2004, Hong Kong International Airport (HKIA) announced it would be investing US\$50 million for the implementation of RFID tracking for its baggage operations.²¹ While preliminary testing for the system was completed in late 2005, full implementation has yet to be completed due to a reluctance of airlines to adopt the technology.²² Given that up to 60 percent of the traffic through HKIA is connecting, the benefits from RFID adoption are expected to be significant. In an effort to speed RFID adoption, the Airport Authority of Hong Kong (AAHK) has taken initiative to drive the investment. The AAHK is investing in airports in mainland China to build their RFID capabilities in anticipation of the 25 percent increase in passenger throughput expected with the opening of Disneyland in Hong Kong.²³

FIGURE 5.
Business value of enhanced baggage tracking with RFID.



Source: IBM Global Business Services.

Among its major benefits, enhanced baggage tracking through RFID should:

- Improve governance and control over the process, with intuitive visualization related to the process and process exceptions
- Improve the quality of information in the whole baggage handling chain
- Extend the scope of control over baggage items to the areas outside mechanized systems, from aircraft on-blocks to off-blocks
- Continuously improve baggage handling through better hindsight in situations that could have been handled differently and better
- Improve security of baggage
- Increase baggage traceability capability along the whole chain
- Allow concurrent multiple-items management
- Allow identification of uploaded baggage to accelerate emergency downloads
- Allow enriched information associated with baggage labels
- Improve automation and speed of processes
- Improve transit management, thus reducing transit times
- Reduce baggage reconciliation times and costs
- Increase aircraft shipping accuracy
- Improve customer satisfaction.

Catalogs of supplier services will emerge that will enable baggage handling buyers to choose from a menu of available services and to be more informed about pricing structures.

Refine business models in innovative ways

Network carriers' traditional approach to baggage handling is expensive and disregards passenger diversity. To meet future needs, new types of baggage handling business models are needed. A prime example is the self-service baggage drop off, through which passengers increase their control of the process. Another example is the LCCs' model of separating bags from passengers (both physically and financially) to allow *à la carte* baggage handling. This model transports bags separately from passengers and prices baggage services separately from airfare ticket prices – setting an example of how to create a new source of revenue from a function that used to only incur costs.

In addition, *à la carte* supplier catalogs will emerge toward 2010, enabling buyers of baggage handling services to view a menu of available services. The baggage handler offers a modular list of service components, making the process as a whole more transparent to customers, who can choose any combination of services and be better informed about pricing structures. This approach has several key benefits for airlines, airports and passengers. Through *improved focus on the core business*, airports can partner with airlines to achieve greater baggage handling efficiency, and airlines can then offer more competitive prices.

Another benefit, *customized services and prices*, provides passengers with options such as self-service and offsite baggage drop-off, access to baggage status information and even the chance to send baggage in advance, that is, having it delivered to a hotel so passengers can avoid carrying it themselves. Separating passengers from their bags allows *better flow-through* since it allows baggage to be dealt with during off-peak times. Finally, baggage handling transparency could also help lower the risk of terrorist threats.

Integrate the workforce and baggage systems

To improve flexibility, workforce planning tools need to be better integrated with baggage handling systems. Flexible work planning tools – such as mobile telephone with RFID – can reduce the challenges of workforce management, including those associated with changing security requirements. These tools allow dynamic task assignment to quickly reassign personnel as needed due to unexpected changes, such as weather-related problems or security threats. Furthermore, the mechanization of laborious tasks should be used to smooth down baggage load peaks and to create better working conditions for personnel – for example, the use of robotic arms to perform heavy lifting, such as loading baggage from belts unto carts.

So, how should the industry act?

How does the collaboration/partnership need to change to allow for end-to-end processes, new concepts, refined business models and integration between workforce and systems? Five aspects of the governance structures of these partnerships are essential for success:

- First, the process of aligning long-term objectives needs to become more formal, particularly between airlines and airports, but also with suppliers. All parties should agree to concrete, measurable objectives, and responsibilities should be unambiguous. This gives the baggage handling program leaders strong autonomy in achieving objectives.
- Second, suppliers of baggage handling services should design and build solution components “outside the process.” Much effort will need to be spent on testing and validating in order to integrate innovations and updates seamlessly upon delivery.
- Third, suppliers need to be integrated in the program and willing to accept risk/reward structures matching their responsibilities.
- Fourth, there should be weekly joint progress reporting from all stakeholders in the baggage handling program.
- Finally, periodic status checks need to be augmented with quarterly and half-year partnership review meetings to help remove the roadblocks partners face.

Pinpointing next steps

How can airlines and airports prepare for the future flood of passengers and their baggage – not just to cope with the challenge, but to profit from the opportunity it brings? Ask yourself the following questions as a first step in determining your next steps.

For airlines:

- How do you plan to align technology and information sharing related to baggage handling with various stakeholders – passengers, customs, military police, security and the various airports where your flights will be landing?
- Which types of baggage handling services are most valued by your passengers? Which might provide additional revenue?
- How much potential revenue exists for your airline in offering baggage services that could be purchased separately from airfare tickets?
- Can you determine your delayed and lost baggage cost by airport? Are some airports worse than others? Can you work with those airports to refine MCT or change your flights' MCT at that airport?
- How can you measure the financial benefits of working with airports to jointly fund improvements in baggage handling?

For airports:

- How do you plan to align technology and information sharing related to baggage handling with various stakeholders
 - passengers, customs, military police, security and the various airlines that land in your airport?
- How does your airport compare to others? Are you losing carriers or flights to surrounding airports?
- How much does your MCT vary from peak to non-peak times? What percent of your baggage handled does not make the transfer flight? Do you share this with airlines?
- What level of investment is needed to update your baggage handling systems?
- How prepared are your baggage handling systems and processes to handle the two-pronged challenge of a doubling passenger rate and dynamic security requirements?

Lowering the IR rate is a vital first step toward successfully managing the rising numbers of airline passengers as 2010 approaches. Continued failure to improve will likely result in a decline in airline and airport revenue. On the other hand, growth opportunities await those who meet the baggage handling challenge through new, collaborative business models and well-aligned technology that can not only help lower costs through improved efficiency, but also make the customer experience more pleasant.

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