

Blurring Lines Between Services and Software

A PoV on Baggage as a Service

The New Reality: Evolving Needs and Challenges in Airlines

Every year, an estimated **36 million** bags are mishandled worldwide—affecting millions of travelers. On international flights alone, roughly **12.1 bags per 1,000 passengers** are misplaced, lost, or delayed. With **13% of airline customer complaints** tied to baggage, this challenge directly impacts both passenger satisfaction and airline operations.

Financially, mishandled baggage drives up support costs—from compensation payouts to customer service infrastructure. Some airlines report **up to 20% cost reductions** in customer service after embracing AI-driven processes. Passengers now demand real-time updates, speedy resolutions, and simpler ways to track, report, and claim baggage issues. But **traditional baggage services** often remain cumbersome, involving manual, fragmented processes that strain airline efficiency and frustrate travelers.

Baggage as a Service (BaaS) aims to resolve these pain points by turning baggage management into a **software-driven offering**. Through **AI-powered automation**, BaaS promises to integrate tracking, claims handling, compensation, and real-time communication—ultimately reshaping the passenger experience while lightening operational burdens for airlines.

Where We Stand: Existing Approaches—Still Fragmented

Where Are Airlines Today?

Airlines have experimented with:

- **RFID & Barcode Tracking:** Reducing misplaced luggage by improving real-time monitoring
- **Proactive Notifications:** Sending SMS/app alerts, like United Airlines does, to keep passengers updated
- **Automated Claims:** Leveraging digital reimbursement (e.g., Air France-KLM) or interim payouts (e.g., Singapore Airlines) to speed up compensation
- **Online Portals:** Providing self-service options, such as Lufthansa's damage reporting site
- **Collaborative Efforts:** Airports like Heathrow work with airlines to standardize baggage handling

IATA's Resolution 753 enforces baggage tracking at key checkpoints, and **Automated Baggage Handling Systems (BHS)** in hubs like Dubai streamline sorting and reduce damage. Although these measures mitigate certain issues, they remain **fragmented**—tracking, claims, and compensation often exist in **isolated systems**, forcing passengers to juggle multiple channels for resolution. The result: **delayed feedback**, inconsistent updates, and a lack of true integration

Towards a Unified Baggage Mishandling Solution

A truly holistic baggage mishandling solution integrates **all** elements of the baggage journey—from initial check-in to final destination. When done right, **Baggage as a Service (BaaS)** would:

Why Integration Matters

Passengers want **consistent, straightforward, and real-time** interactions when something goes wrong with their luggage. But most airlines still separate baggage tracking from customer service, claims, and compensation. A **unified platform** should combine:

1. **Baggage Delay Handling:** Real-time updates and proactive notifications
2. **Damage & Claims Processing:** Digital portals for easy submissions and quick inspection
3. **Baggage FAQ & Enquiries Automation:** AI-driven answers to common questions
4. **Compensation & Loss Management:** Automated claim resolution and transparent policies
5. **Baggage Theft & PIR (Property Irregularity Report):** Quick registration and secure tracking
6. **Last Known Location Tracking:** Immediate clarity on where bags are
7. **Last-Mile Delivery** – End-to-end visibility on delayed bag delivery

By merging these components into a **seamless platform**, airlines can curb manual processes, reduce friction, and **significantly lift passenger satisfaction**

The Path to Success: How Do We Get There?

Bridging the Gap with AI

Even with modernization, **baggage operations** often rely on **manual intervention**. Embracing **Generative AI** and **advanced analytics** can reshape mishandling into a proactive, efficient process. Key factors include:

Right Strategy & Business Alignment

Focus BaaS on airline-wide goals reducing mishandled bags, boosting CSAT, and controlling costs. Treat baggage transformation as a **strategic initiative**, not just another IT project

Assess Data Maturity

Even partial real-time data can deliver results. Integrate DCS, CRM, and **WorldTracer** via **robust APIs**; refine data quality over time to expand automation and insights

Technology Readiness & Infrastructure

Use **cloud-based, scalable** solutions with **predictive analytics** for rerouting and issue alerts. Ensure privacy compliance, **robust cybersecurity**, and regional adaptability

Operational Readiness & Continuous Improvement

Track KPIs on centralized dashboards. Maintain a fast **escalation process** for complex cases. **Gather staff/passenger feedback** to refine solutions continuously

Generative AI for Advanced Possibilities

Embrace **real-time decision-making**, automated approvals, and **predictive routing**. Let AI identify patterns, minimize mishandling and elevate passenger satisfaction

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