



Beyond Point Solutions: Strategies for Optimizing Baggage Handling to Increase Customer Loyalty



The airline industry is a high-touch, customer-service oriented sector that is immensely competitive. Profit margins tend to be impacted easily by fluctuations in the macro environment and fickle customer loyalties. Despite the fact that executives invest millions of dollars every year to develop customer loyalty programs to fill airline seats, customers are often quick to take offense and switch airline preferences.

Among issues that endanger customer loyalty, mishandled baggage perhaps figures as the top-most.irate passengers do not hesitate to vent their baggage-related frustrations on social media platforms, particularly, Twitter and Facebook. According to *Tnooz*, (a global provider of news, analysis and commentary on the travel, tourism and hospitality industries), the Twitter accounts of leading airlines are often flooded with baggage complaints.

Unfortunately, it is also easy for baggage complaints aired on social media to make the transition to more traditional mass media and build negative perceptions about the airline brand.

In short, baggage issues are a major cause of strain in airline-customer relations, and can negatively impact airline profitability and the brand perception.



In this paper we explore and examine:

- The dynamics associated with mishandled baggage, big data-driven customer-service initiatives and carrier profit margins; and
- The role that specialized third-party partners can play to address these challenges.

Bringing Baggage to the Customer Relationship

In 2013, it was estimated that airlines carried more than 3 billion passengers — equivalent to around 44 percent of the Earth's population. An IATA report predicts that by the latter half of 2017, the number of airline passengers could be close to 4 billion!

A majority of airline passengers entrust their baggage to the airline / carrier as check-in baggage and all of them expect to be re-united with their bags when they step off the plane at their final destination. More importantly, they expect those bags to be in good condition. However, passenger expectations often take a hit because of baggage mishandling either in the form of baggage losses, delays or damages. Accidentally torn tags, security delays, human errors in reading tags correctly, and damages during transit have traditionally contributed to mishandled baggage.

The most common choke point in baggage handling relates to baggage that must be transferred from one flight to another - transfer bags accounted for 48 percent of all baggage problems in 2012. As one might expect, mishandled bag rates tend to be substantially higher at the busiest airports. According to a recent SITA report, airports handling more than 25 million passengers a year experience mishandled baggage rates at nearly double the rate of airports handling fewer than 25 million passengers. In the United States — which in 2012 posted a mishandled baggage rate of just three bags per 1,000 - approximately 2 million pieces of luggage arrived late, damaged or not at all.

Although considered a challenge, baggage management is increasingly becoming an important area in which airlines can optimize ancillary revenue generation, improve operational efficiency and enhance customer loyalty. The growth in baggage fee income is helping most carriers offset higher fuel and labor costs. In 2012, the top 15 U.S. Airlines collected nearly \$3.5 billion in baggage fees in 2012 and going forward, global carriers will only continue to adopt this practice. However, when a passenger is paying up to \$100 per bag (for baggage handling) and the bag fails to arrive on time, is damaged - or is never seen again — the airline bears the brunt of its customers' wrath.

It is this close association between baggage handling and customer relations that makes it mandatory for airlines to carefully integrate baggage handling operations with customer relationship initiatives.

The Current Situation

Globally, most airlines did a slightly better job of handling baggage in 2012 than they did a year earlier, according to the ninth annual

Air Transport World - SITA Baggage Report. The rate of mishandled bags was 8.83 per 1,000 passengers, down slightly from the 8.99 reported in 2011. 2012 happened to register 2.95 billion passenger "enplanements" and recorded 26 million mishandled bags - a rate far better than the nearly 47 million recorded in 2007.

But here's why the airline industry can't rest on its laurels: The growth in the overall number of mishandled bags between 2011 and 2012 cost the industry an additional \$70 million, according to the report. Additionally, recent consumer surveys show that more passengers generally feel "taken advantage of" by their airlines these days - and while they frown upon other missed metrics - like late or canceled flights and crowded planes - they absolutely chafe about their baggage being mishandled by the airline despite the baggage fees they have paid.

With a growing number of travelers feeling dissatisfied by airline fees, airline regulators have been prompted to respond. The U.S. Department of Transportation (DOT), for instance, instituted a new rule that forces U.S. airlines to refund the baggage fees if luggage is lost or "significantly" delayed.

Domestic Flights

Commercial airlines are liable for up to \$1,250 per passenger, in the event of lost, delayed or damaged baggage on domestic flights; \$2,500 if the baggage is never recovered

Airline Liability For Lost or Damaged Baggage



International Flights

Airlines typically are liable for a maximum of \$635 per checked bag on international flights, although policies vary from carrier to carrier.

Leveraging Technology to Boost Baggage Handling Performance

In response to the challenge, more and more airlines are investing in leading-edge technology to better manage baggage handling processes and better inform their customers if problems do arise.

Gaining greater control over baggage handling has become relatively easier thanks to technologies such as radio-frequency identification (RFID) and others. RFID is not new - the wireless non-contact tags have been used in supply chain management to automatically identify and track inventory through the shipping and inventory processes for decades.

When applied to the airline industry in general - and baggage operations in particular - RFID for Automatic Baggage Tracking (RFID-ABT) ensures that all luggage is checked in, verified, and sorted correctly at the point of origin. Because RFID tags are equipped with antennas for wireless communication, sensors embedded in the airline's systems are capable of identifying and logging individual bags, routing them through appropriate security checkpoints, and then loading them on the correct flight.

Because these systems are compliant with industry standards set by the International Air Transport Association (IATA), these RFID-ABT tags can be uniformly read and processed by all airlines' systems. Building upon the foundation of RFID-ABT is the Trace Me Luggage Tracker, a serial identification number that is integrated completely with SITA's *WorldTracer* standard. It includes the ability to send an e-mail and SMS notification that a bag has been found. The capability can inform the passenger that his / her luggage is being held by a specific airline at a specific location, and provides the *WorldTracer* bag file reference number.

There are other new innovations that can revolutionize the baggage management process. A permanent digital luggage tag being tested by British Airways could help make temporary tags obsolete and speed up the check-in process, according to an *NFC World* report. The tag uses Near Field Communication (NFC), a low-power, short-range wireless technology, to transmit information on a barcode impressed with long-lasting electronic ink which keeps the passenger's unique baggage tag displayed throughout the baggage handling process. Passengers can use the airline's mobile app to check in for a flight, programming all flight data by holding their smart-phones over the personalized digital tag to transmit all their flight details and baggage destination information.

While technology solutions may seem adequate enough to ensure that all goes well, errors in data handling and customer relationship management can derail even the best-laid plans.

Beyond Technology to Comprehensive Customer Service Solutions

While technological innovations can represent a quantum leap forward for airlines as they aim to gain better control over mishandled baggage, they are not the end of efficient baggage handling. That is because RFID and luggage tracking are point solutions - devoid of true power unless and until they are leveraged in an integrated manner to better manage customer relationships.

Typically, passengers with different levels of anxiety call the baggage helpdesk to seek the status of their lost or misplaced baggage. While some shout, few weep and few threaten to vent out their frustration, the key differentiators for airlines can hinge on how they handle baggage loss and deal with an irate customer.



The strategy has to be a comprehensive mix of efficiently tracking down a mishandled bag and returning it to the customer as expeditiously as possible and keeping the customer informed on what's going on with their luggage. Integrating disparate data points - from baggage location information, to customer profile data - is no easy task. It is an endeavor that is further complicated by today's multichannel environment, where customers provide and obtain information via web, mobile, phone and in-person at terminal counters.

Key aspects of this 'integrated' strategy that can drastically improve baggage handling and customer relations include:

Proactive customer relationship management:

This approach involves calling customers before they call the airline customer care center, to update them on their delayed baggage and keeping them updated on the status till the baggage is traced. This approach can provide a huge impetus to customer relationship management.

Effectively managing seasonality of baggage

volumes: Winters, summers and festival months are the busiest for airlines. These are the months when baggage volumes are at the peak. This kind of seasonality requires a sound resource strategy to cater to the peaks and troughs of passenger and baggage volumes.

Adopting the multi-channel approach for

customer relationship management: Phone calls, e-mails, Web chat, social media and the Website... customers could connect with the airline from any channel of their choice, in the event of a baggage loss. Airlines must be prepared to effectively deal with customer anxieties on various channels.

While an integrated strategy is at the core of driving efficiency in baggage handling and superior customer relationship management, managing vast arrays of disparate data, including baggage status / handling information effectively often requires the intervention of a contact center and data management specialist. Airlines usually have plenty of intricate operational functions on their plate. Taking on the gamut of baggage handling and customer relationship management puts added pressure on their efficiency and productivity.

Advantage of an Outsourced Solution

Backed by the increased demands in the business environment, a growing number of airlines, are engaging with trusted third-party partners with experience, as well as dedicated and focused expertise in managing data to handle airline industry customer problems and queries. Indeed, many airlines are now using outsourced models for data management to attain organizational goals such as improving customer relationships and loyalty, as well as optimizing ancillary sales.

According to a recent report on airline outsourcing by *Information Services Group (ISG)*, multiple pressures are forcing airlines - particularly legacy carriers - to embrace change at all levels of the organization, to fundamentally alter their cost structure and rebuild customer relationships.

“Not all carriers are going to survive the ensuing industry rationalization, and the daunting task facing these management teams is ensuring that their carrier survives an even thrives in the current environment,” said report author Harvey Gluckman.

“This is one of the areas where outsourcing may help. At a time when airlines must unlock the value of their current operations to set the stage for long-term profitability, outsourcing allows top management talent to focus on a rigorous self-examination of the airline’s core enterprise without siphoning off top management to focus on cost-cutting in the sourced areas.”

Consider this Solution:

A leading global airline had a significant customer dissatisfaction challenge associated with its baggage claim, tracking and communication processes. Executives determined that the problem had reached a point where it was important to establish an outsourcing relationship with a third-party provider that could deliver an integrated, innovative, proactive, customer satisfaction-focused, delayed / lost baggage handling, tracing and resolution program. That’s when the airline engaged with WNS.

WNS developed an outsourced multichannel contact center and baggage services capability for the airline that has yielded positive and measurable business outcomes.

Within the first year of its outsourcing engagement with WNS:

- The airline achieved 92 percent reduction in customer complaints.
- Overall efficiency increased by 140 percent for outbound calling teams.
- On the baggage tracking / delivery / customer relations front, WNS reduced passenger complaints by more than 60 percent in three years.
- Efficiency of the customer service team increased by 40 percent.

Conclusion

In an environment of tight margins, mishandled baggage poses a strategic threat to airlines. While airlines share responsibility with airports for ensuring effective baggage handling, the market ultimately penalizes carriers when things go wrong.

The good news is that new technologies and automated systems have emerged to help minimize the risk of mishandled luggage.

However, a true comprehensive solution demands far more than the effective application of technology. A strategic response to the challenge requires airlines to manage the data gleaned from a variety of information sources to anticipate, prevent and quickly communicate with customers who have been adversely affected. Failure to act effectively in this arena can damage brands as well as bottom lines.

The challenge is complex and therefore requires both significant experience and expertise.

Business Process Management (BPM) solutions from experts like WNS deliver fully integrated strategies that can reduce customer complaints, improve operational efficiencies and elevate the value of an airlines brand above those who do not effectively tackle this challenge.

As Brian Pearce, IATA’s chief economist, put it:

“In 2012, airline profits were \$7.6 billion. It boils down to airlines making just \$2.56 per passenger. Clearly, any increase in cost...rise in government taxes ...or drop in demand will eradicate that slim profit margin very quickly.”

Improved baggage management strategies that are integrated with programs that elevate the customer experience can make a big difference in carriers’ bottom lines and in their ability to make it through the turbulence.

WNS – A Trusted Partner for the Global Airline Industry

WNS's outsourced approach can deliver the advanced capabilities for multichannel customer interaction center in a way that is a win-win for airlines. WNS works with leading global carriers to manage data gleaned from multiple technologies and sources to resolve customer complaints and build loyalty.

WNS's integrated baggage handling solution incorporates the following features:

- Proactive approach towards customer relationship management: WNS provides the 'proactive outbound calling' service – a first-of-its-kind initiative in the domain of baggage handling services. This service involves WNS's proprietary mechanism of pulling data from the SITA World Tracer and feeding into WNS's tracking tool, which is then effectively used by the contact center agents to simultaneously trace lost baggage and proactively call relevant passengers to inform and update them.

This is in stark contrast to the traditional approach wherein passengers need to call the contact center after filing a report and then have to wait for the update to be provided by the contact center agent.

WNS has implemented this solution for a number of airlines. The benefits accrued range from increased passenger penetration by greater than 10 percent in 6 months to reduced customer complaints by 60% within 8 months.

- Tech-enablement for increased agility: WNS deploys an enabling technology – a knowledge management tool that picks up information from the World Tracer for proactively acting upon baggage loss information and making outbound calls to the concerned passengers. The interplay of technology interventions ensure that passengers who have lost their baggage are informed and updated periodically.
- Efficiently managing seasonality of baggage volumes: WNS employs smart workforce management strategies to address peaks and troughs in baggage and customer complaint volumes. These strategies help airlines by ensuring sufficient staffing to handle customer queries on delayed or lost bag or left-behind articles thus influencing customer satisfaction.
- Superior customer relationship management in a multi-channel environment: Keeping up with the advanced demands in a multi-channel environment, WNS has built capabilities to manage customer complaints, queries and anxieties with the right mix of technology deployment and soft skill training to contact agents to communicate with customers via phone calls, e-mails, and Web chat.

About WNS

WNS (Holdings) Limited, is a leading global business process solutions company. We offer industry-specific solutions to nine, including Banking and Financial Services; Healthcare; Insurance; Manufacturing; Retail and Consumer Products; Shipping and Logistics; Telecommunications; Travel and Leisure; and Utilities. We also offer horizontal solutions, including Finance and Accounting; Research and Analytics; and Contact Center. We have professionals working across delivery centers in China, Costa Rica, India, the Philippines, Romania, South Africa, Sri Lanka, UK and USA.

WNS is the world's largest travel BPM Company, with a legacy of having started out as a captive for British Airways. Today, WNS is a BPM partner for some of the leading global airlines across the globe. WNS provides the airlines industry with the latest, top-notch solutions to create opportunities from challenges. Whatever the business trend, WNS has a solution for your business.

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