

# 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:

<b>Baggage Delay Handling</b>	Real-time updates and proactive notifications
<b>Damage &amp; Claims Processing</b>	Digital portals for easy submissions and quick inspection
<b>Baggage FAQ &amp; Enquiries Automation</b>	AI-driven answers to common questions
<b>Compensation &amp; Loss Management</b>	Automated claim resolution and transparent policies
<b>Baggage Theft &amp; PIR (Property Irregularity Report)</b>	Quick registration and secure tracking
<b>Last Known Location Tracking</b>	Immediate clarity on where bags are
<b>Last-Mile Delivery</b>	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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