A Financial Argument for:
RFID Baggage Tracking
‘Modelling the Impact to the Bottom Line’

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Introduction

• Longest Chance (LC) presented its products and services at the BWG in Seattle on the 23rd of August 2016
• The presentation aimed at the main arguments for implementing an airline RFID baggage tracking infrastructure
• The benefits presented, include:
  o The technical LC capabilities, incl. its middleware and reporting
  o The OPEX model (or utility model – no investment by the airline)
  o The successful IATA – LC pilot with readability rates of >99.99%
  o An improved customer experience

This presentation shows how to build the financial arguments to support the airline’s business case for implementing an RFID baggage tracking solution
Mishandled Baggage Rates are Impacted by

- Lack of identification of bags
- Wrong identification of bags
- Wrong physical action by handlers

These drivers are impacted by human intervention
Mishandled Baggage Consequences

• Bags to be located and stored
• Bags delivery to the passenger
• Passenger compensation
• Additional passenger claims
• Reimbursement of passenger paid bag fees
• Customer service agent resources

The airline industry consensus is an average cost of $100 per mishandled bag
Potential Business Optimization

• Accurate bag identification (less human intervention)
• Process flow optimization for bag identification
• Reduced FTE at specific points in the process
• Accurate & timely “event” data to manage operation
• Improved bag recovery and more timely corrective actions
But is it Worth Doing?

• It’s necessary to analyze the projects costs & benefits
• Taking into account flights, # PX, bags & other key data
• It must be modelled accurately and completely
• Time & expertise needed to set up such a model
• LC have already built such a model
The RFID Bag Tracking Savings Model - Logic

The model assumes an OPEX model based on bag tracking services fees and is divided into worksheets that follow a standard ROI pattern.

**Incremental Savings**
- FTE Optimization
- Mishandled Baggage Reduction
- Schedule Optimization

= Net Benefit

**Incremental Expenses**
- Bag Tracking Service Fees
- RFID incremental bag tag costs
The following slides do not contain real data for any airline
The figures shown are for demonstration purposes only
The RFID Bag Tracking Savings Model - Parameters

- **Operations Data**
  - Loose load flights per year
  - ULD flights per year
  - # of domestic bags
  - # of international bags

- **Mishandled bags operational costs**
  - FTE
  - 3<sup>rd</sup> Party cost
  - Compensation
  - Refund baggage fees

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### Basic Operations Data

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<th>Section Notes</th>
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<td>Loose load flights</td>
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<td>Bags</td>
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<td>Average bags per PX</td>
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Model Example
Inputs – Airline A

MODEL INPUT (Example)

Passengers per year 100 M
Number of domestic bags 30 M
Number of international bags 20 M

Cost per mishandled bag $100
Model Example
Incremental Benefits US $ – Airline A

MODEL OUTPUT

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Net Cash Benefit
Annual Cash Benefit
Accumulated Cash Benefit

Incremental Benefit

FTE reduction $ 16.60M
3rd Part Costs $ 14.58 M
Lost & Found FTE reduction $ 2.10M
Tracer services $ 0.30M
PX baggage fee refunds reduced $ 5.61M

Incremental Expenses

RFID incremental bag tag costs ($ 2.25M)
Bag Tracking Service Fees ($5.40M)

Total Annual Net Benefit

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Modelling Service

Longest Chance has the expertise to help you model the ROI on your adoption of RFID

If you would like help in this modelling then please contact Peter van der Lende:

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Let's change the standards of baggage tracking