

**looking back, looking forward:**  
*improving travel experiences by strategically separating passengers from their luggage*



[www.luggageforward.com](http://www.luggageforward.com)

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While some airlines returned to profitability in 2006, crowded airports, new carry-on restrictions and more than four million complaints of lost, delayed and damaged luggage in the United States alone, certainly made it a year that many frequent fliers would like to forget.<sup>1</sup> With the number of air travelers expected to double by 2025, these problems are likely to persist unless innovation drives widespread changes in how people travel.<sup>2</sup>

Many savvy travelers who sought a reliable alternative to checking bags last year discovered that they could forward their luggage directly to their destination and bypass the long lines, inconvenience and unpredictability of checking luggage. The proof is in the numbers with Boston-based Luggage Forward reporting that bookings during the fourth quarter of 2006 had increased more than 500% compared to the same period in 2005. While the notion of shipping luggage has been around for some time, Luggage Forward pioneered the concept of a full service suite of online booking, insurance, guarantees and tracking services designed specifically for the transport of luggage.

The practice of checking luggage has always been inefficient and as recent statistics indicate, it is becoming increasingly unreliable. Baggage handling issues are amplified by aging airport infrastructure, the need for increased screening and shorter gate windows. As a result, lost luggage rates have increased in the United States in recent years. Airlines spend valuable time, resources, and fuel handling and transporting luggage that ends up occupying revenue-generating cargo space on each aircraft. Luggage poses a financial burden to airlines that has led some major carriers to explore the possibility of charging for checking bags.<sup>3</sup>

While the recently released Department of Transportation (DOT) mishandled baggage statistics occupy the headlines today, the inconveniences associated with the model of checking luggage on passenger aircraft will continue indefinitely. On the other hand, forwarding luggage allows travelers to eliminate the burden of carrying heavy bags to and from the airport, bypass long check-in lines, avoid paying excess baggage fees and skip the wait at baggage claim – saving them up to two hours per trip. The result is a new travel experience that is improved by intentionally separating passengers from their luggage.

Authored by Luggage Forward's co-founders, *Looking Back, Looking Forward* is a two-part report. First, it cites empirical data to provide a retrospective of who forwarded their luggage in 2006, where they went and why they chose to use the service. The report depicts industry milestones as well as advances made by Luggage Forward in this rapidly evolving market. Second, *Looking Back, Looking Forward* forecasts how travel trends will impact the luggage forwarding industry in 2007 and beyond.

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<sup>1</sup> Air Travel Consumer Report, US Department of Transportation, February 2007, <http://airconsumer.ost.dot.gov/reports/atcr07.htm>

<sup>2</sup> Global Traffic Forecast 2006-2025, Airports Council International, January 2007, [http://www.airports.org/aci/aci/file/Press%20Releases/2007\\_PRs/ACI\\_Forecast\\_Executive\\_Summary.pdf](http://www.airports.org/aci/aci/file/Press%20Releases/2007_PRs/ACI_Forecast_Executive_Summary.pdf)

<sup>3</sup> United Proposes Offering Lower Base Fares with Bevy of Add-Ons, Travel Weekly, December 15, 2006, <http://www.travelweekly.com/articles.aspx?articleid=54189>

### ***looking back: 2006***

On average, one checked bag was reported lost, delayed or damaged approximately every eight seconds in the United States in 2006 according to DOT statistics. This is one of the factors that have caused travelers, airlines and airports alike to explore the alternatives to checked luggage. A convenient, reliable solution that is available today is luggage forwarding. The notion of passengers traveling separately from their luggage is one that has begun to take hold because of the ease and efficiency of the process.

Sending bags ahead is a concept that has been around for more than a decade. It began primarily a solution for sports enthusiast who were looking for an alternative to checking bulky equipment such as golf clubs, skis, and bicycles on their flights. There have been a number of regional shipping companies and shipping resellers who have offered some version of this service, but until recently this behavior has not gained widespread adoption.

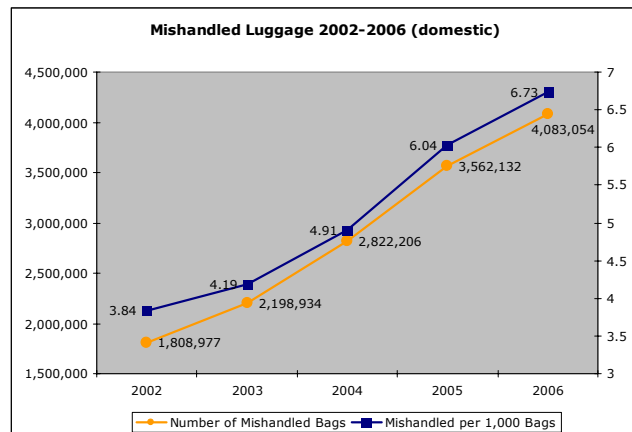
As the name would suggest, Luggage Forward is a company that was built from the ground up to forward luggage, therefore the process and services offered to clients are superior to any previously known alternative. The introduction of Luggage Forward's suite of online capabilities, comprehensive guarantees and impeccable service brought about a new, simple process that is quite similar to booking other travel transactions that are familiar to clients.

Luggage Forward uses proprietary technology to provide instant pricing – either online or by phone – for almost any itinerary worldwide. This dynamic, all-inclusive pricing system assures clients that they receive the best available rate for each booking without any additional or hidden fees. Each rate is generated based on three simple criteria: number and size of bags, distance of the trip and chosen service level. To further simplify the booking process, Luggage Forward has created simple luggage categories, eliminating the need for clients to provide the exact weight of each bag.

2006 was an important year for innovations in Luggage Forward's model. In addition to expanding service to more than 200 countries and territories and adding more service levels, Luggage Forward launched a series of industry-leading technological capabilities designed to streamline the user experience. This cutting edge functionality – from real-time multi-item pricing to wireless luggage tracking ([press release](#)) – set the standard for this young industry. The suite of forwarding solutions has a distinct emphasis on simplicity of use and quality of service powered by leading edge technology, the hallmark of the Luggage Forward brand.

2006 was also a year that saw the most significant change in airline carry-on restrictions in nearly five years. These changes that took effect in August resulted in a sudden increase in checked luggage worldwide. In addition to creating longer check in lines, this event highlighted an underlying problem: the capacity constraints of the existing airport and airline baggage handling infrastructure.

As the numbers of checked bags swelled, complaints of lost and misdirected luggage in the United States rose to a staggering 436,781 bags in August alone. That month saw an average of 587 bags per hour or 9.7 bags per minute – one approximately every six seconds – go missing. September didn't provide much relief for travelers, as 8.25 of every 1,000 bags checked on domestic flights were lost or mishandled. This rate was nearly double that of September 2005 and was the highest monthly rate of lost luggage in more than five years.<sup>4</sup>



In August 2006, Luggage Forward saw bookings more than double due to heightened awareness of the service, which stemmed from passengers seeking alternatives to the unpredictability of checking luggage. Luggage Forward's fully automated processes allowed the company to immediately scale to handle the increase with no impact to service level. During this time, many clients discovered Luggage Forward out of necessity and have since become ongoing clients, which led to September outpacing August in terms of bookings.

In an effort to further improve the air travel experience for clients, Luggage Forward announced a relationship with Clear Registered Traveler in November 2006 ([press release](#)). Clear, the first privately run registered traveler program operating at a U.S. airport, and Luggage Forward formed a strategic partnership designed to provide airline passengers with a simplified, efficient and predictable airport experience. As travelers face an increasing number of obstacles at airports, particularly during peak travel times, Clear and Luggage Forward provide complimentary solutions that put convenience back in air travel. By eliminating the need to wait in long check-in and security lines, the two services allow travelers to get from the curb to their gate in a matter of minutes.

### who was forwarding luggage in 2006?

Thousands of travelers were introduced to the experience of hands free, stress free travel in 2006. The service appealed to travelers for a variety of reasons. While all clients enjoy the convenience of traveling without their luggage, some were drawn to the service because it offered a reliable alternative to checking bags. Discerning travelers who expect a level of personal attention consistent with that of other first class travel services make up the bulk of the market for the service. These groups are generally luxury leisure travelers, which include sports enthusiasts, families with children, and seniors; as well as executive business travelers who appreciate the efficiency of traveling without luggage.

<sup>4</sup> Air Travel Consumer Report, US Department of Transportation, <http://airconsumer.ost.dot.gov/reports/atcr06.htm>

Categorizing the Luggage Forward client gives a snapshot of why more and more people are interested in this growing niche in the travel services industry.

- **Sports enthusiasts** avoid carrying the most inconvenient items to the airport whether it is golf clubs, a bicycle, skis or a snowboard. With Luggage Forward's domestic on-time guarantee gives peace of mind that is otherwise unavailable from airlines or other luggage forwarding providers.
- **Families** traveling with multiple children, bags and any sports equipment tend to find that forwarding luggage is especially valuable, particularly if a parent is traveling alone with children. The focus can remain on the kids, rather than the multiple bags that need to come off the carousel.
- **Seniors** who may have trouble managing heavy bags can now travel without worrying about how they will handle their burdensome luggage. Forwarding luggage is often a marriage of convenience and necessity. Some clients lie further to one end of the spectrum than others, but all of them appreciate the high-level of service and broad range of forwarding options.
- **Business travelers**, especially those with multi-destination trips, appreciate the efficiency of not waiting in long check-in lines or the baggage carousel. It is common for those combining a business trip with pleasure often forward their clubs directly to the course for a weekend golf outing, eliminating the need to haul them through multiple airports.

In July 2006, Luggage Forward introduced a new five-day domestic forwarding service to compliment the existing overnight, two day and three day services ([press release](#)). The new Basic Service provided a lower price point for clients who are able to plan their bookings farther ahead. The service instantly became a popular option and made forwarding luggage a viable option for an even wider spectrum of travelers.

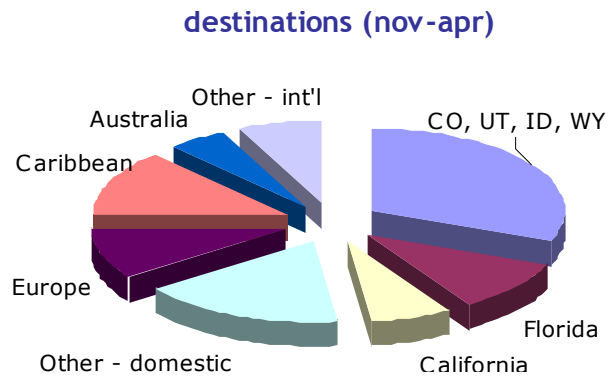
### **what were they forwarding?**

Despite the logical popularity of sending bulky sports equipment like golf clubs, skis, snowboards and bicycles ahead, luggage still ranks as the most commonly forwarded item. Whether taking a trip domestically or abroad, to the beach or the mountains, clients find great value in heading to the airport with just their carry on and the peace of mind knowing that their luggage will be awaiting their arrival at their destination.

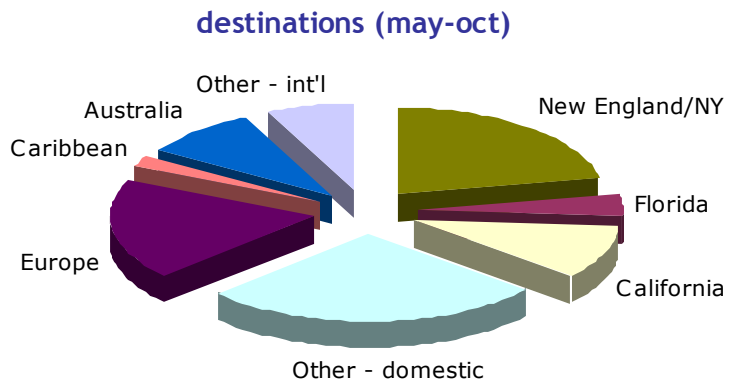
However, forwarding sports equipment to remote golf resorts, such as Bandon Dunes in Oregon, or ski resorts, such as Sun Valley or Aspen, has become increasingly popular as regional and feeder airlines responsible for many of the connecting flights to these destinations were noted as the worst in baggage handling in 2006.

## where were they going?

In 2006 Luggage Forward reports that winter bookings were overwhelmingly dominated by trips to Colorado, Utah, Idaho and Wyoming with top destinations being Aspen, Vail/Beaver Creek, Park City and Steamboat Springs. Trips to ski resorts in the western United States accounted for more than one third of Luggage Forward's 1Q06 bookings. For clients heading south, Florida, Southern California and the Caribbean were the most popular destinations.



In February 2006 Luggage Forward expand its international service to reach more than 200 countries and territories worldwide. ([press release](#)) Summer months' popular shipping destinations include Europe – with Italy taking the lead – and the United Kingdom, Ireland and France close behind and fall proved to be more general with a spike in international travel including Australia.



In the summer of 2006 Luggage Forward also saw a concentration of shipments to and from Nantucket, Massachusetts, where the company opened its first walk-up location to better serve visitors to the island who are often faced with tight baggage size restrictions ([press release](#)).

Regardless of destination, travelers who were taking a multi-segment trip found great value in forwarding luggage. This was a popular application of the service for people who were traveling to different climates or were adding a vacation onto the end or a business trip. In these scenarios, clients forward a different set of clothing to be waiting at their next destination.

## *looking forward: 2007 and beyond*

If the practice of checking luggage continues to be inconvenient and unreliable, as the trend appears to indicate, consumers will increasingly seek alternatives that will improve their travel experience. As the company did in 2006, Luggage Forward will further develop its model and processes for providing service to discerning travelers in order to make air travel more convenient, more efficient and in the end, more enjoyable.

Airlines do have reasons to reduce the numbers of mishandled bags. In addition to negatively impacting their customers, it is costly for airlines to reconnect customers with bags. Airlines' liability for lost or damaged luggage in the United States will soon increase to \$3,000 per passenger from the current limit of \$2,800 under a rule recently issued by the Department of Transportation. This increase will apply to any flight using "large aircraft" with only small air taxis and commuter air carriers being exempt from the rule.

Checked luggage not only costs airlines money when it is lost, carrying it on airplanes increases fuel consumption. Airlines are taking drastic measures to reduce fuel burn rates such as washing aircraft to reduce drag and replacing cabin carpets with lighter materials.<sup>5</sup> Alaska Air plans to save \$500K a year in fuel costs by shaving 20 lbs off their in-flight beverage carts.<sup>6</sup> American Airlines saves an estimated \$3M a year in fuel costs for every 100 lbs they take off their airplane, and they have removed excess water, magazines, and unused ovens in an effort to reduce the weight of their planes<sup>7</sup>. Checked luggage also occupies revenue generating cargo space, which can be a valuable source of revenue for an airline.

While reducing the numbers mishandled bags may be possible, it would take a massive investment in infrastructure at the nation's airports. As a result, some airlines have indicated that may consider taking another approach to solving the problem – discouraging passengers from checking bags.

Forwarding luggage is a concept that is likely to garner more attention and increasingly appeal to air travelers. Luggage Forward anticipates the following factors to serve as catalysts for widespread adoption of this new method of travel in 2007 and beyond:

- **The Department of Transportation's mishandled baggage report for 2006<sup>8</sup>** - The rate at which checked luggage is being lost, mishandled or damaged by airlines in the United States has reached alarming levels. This will cause savvy travelers to explore the alternatives to checking luggage and many will find that forwarding luggage is not only reliable, it improves their overall travel experience with a new dimension of convenience.

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<sup>5</sup> Airlines try anything to save on fuel costs, Washington Times, July 7, 2006  
<http://www.washingtontimes.com/business/20060606-100326-8930r.htm>

<sup>6</sup> Lighter beverage carts to save Alaska Air \$500K per year, Puget Sound Business Journal (Seattle), September 28, 2006, <http://seattle.bizjournals.com/seattle/stories/2006/09/25/daily27.html>

<sup>7</sup> Inside American Airlines, A week in the Life, CNBC, 2006, [www.aweekinthelife.cnbc.com](http://www.aweekinthelife.cnbc.com)

<sup>8</sup> Air Travel Consumer Report, US Department of Transportation, February 2007,  
<http://airconsumer.ost.dot.gov/reports/atcr07.htm>

- **Lost and mishandled luggage identified by airports as a problem** – New technologies, such as radio frequency ID (RFID) luggage tags, are being tested at select airports. If this is determined to be a viable option for improving the number of mishandled bags, airports will have to commit to vast sums of money to upgrade their baggage systems. These infrastructure solutions are expensive and will take years to implement. The cost prohibitive nature of these infrastructure projects will make it harder for many smaller airports to implement. Without all commercial airports equipped with this technology, the effectiveness of RFIDs will be limited.
- **Airlines considering charging passengers to check bags** – At their 2006 Investor Day, United Airlines has identified that “fare unbundling and value-added product features provide significant revenue opportunities.” What this means: “Bare Fare” concept – basic promotional fare where non-elite customers have the option to purchase seat assignments, checked bags, frequent flier credit, etc.<sup>9</sup>
- **Registered Traveler program highlights emphasis on streamlining the overall airport experience** – The Registered Traveler program is envisioned as a means to accelerate the screening process at participating airports for passengers who voluntarily choose to enroll in the program.<sup>10</sup> Luggage Forward has partnered with Clear Registered Traveler, the only registered traveler program currently operating at a US airport has 36,000 members at six 6 airports throughout the United States. Clear members who also use Luggage Forward to transport their luggage can get from the curb to their gate in a matter of minutes, giving them a quick and predictable airport experience.
- **Introduction of the Very Light Jet** – While the commercial aviation landscape continues to evolve, a revolution in private air travel that is underway following the certification of the aviation industry’s newest advancement – the Very Light Jet (VLJ). Known for their small size as well as their low operating and acquisition cost, this new class of jet-powered aircraft tends to be short on one thing – space for luggage. Forwarding luggage becomes a necessity for passengers of VLJs ([press release](#)). 2006 was an important year for this class of aircraft, as the Eclipse 500 manufactured by Eclipse Aviation was certified by the Federal Aviation Administration. Luggage Forward has formed a partnership with Linear Air, a company that will take delivery of 30 Eclipse 500 jets in 2007.
- **Luxury travel amenities expected to continue to increase in popularity** – A growing number of travel providers and luxury destinations seek to distinguish themselves from competition by offering luggage forwarding solution and other value-added travel conveniences to their clients and guests. As the hospitality industry continues to evolve, guests expect the

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<sup>9</sup> UAL Corporation Investor Day Presentation, December 12, 2006 <http://library.corporate-ir.net/library/83/836/83680/items/224251/2006InvestorDayPresentation.pdf>

<sup>10</sup> Transportation Security Administration [www.tsa.gov](http://www.tsa.gov)

amenities that extend beyond what were once the standard. Industry leaders have always set themselves apart by offering the highest level of service to their clients. Door-to-door luggage and sports equipment delivery service is the latest luxury that today's smart travelers demand.

- **Growing number of airline passengers** - The number of air travelers worldwide is expected to increase to 5 billion by 2010 and double from current numbers by 2025 to more than 9 billion a year, according to Airports Council International, a body representing the world's airports.<sup>11</sup> This trend will further strain the existing checked baggage model.

Luggage Forward expects to see continued industry growth in 2007 and beyond as air travelers seek convenient alternatives for traveling with luggage and sports equipment. Luggage Forward anticipates removing nearly one million pounds of luggage from the cargo holds of passenger aircraft in 2007, which is good news for travelers, airports and airlines alike.

**Media Inquiries:**

Zeke Adkins

press@luggageforward.com

t +1 617 482 1100

Zeke Adkins and Aaron Kirley, co-founders of Luggage Forward and authors of *Looking Back, Looking Forward*, are available to comment on this report.

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<sup>11</sup> Global Traffic Forecast 2006-2025, Airports Council International, January 2007, [http://www.airports.org/aci/aci/file/Press%20Releases/2007\\_PRs/ACI\\_Forecast\\_Executive\\_Summary.pdf](http://www.airports.org/aci/aci/file/Press%20Releases/2007_PRs/ACI_Forecast_Executive_Summary.pdf)