Chapter XIV
Case Study II:
RFID—A Technology for Enterprise Systems in the Airlines Industry

ABSTRACT

VLITP can shift the direction of organizations by introducing new systems and emerging technologies that can serve as a trigger for change to the entire business strategy of an organization. Using VLITP simply for creating new possibilities, new markets, or enabling existing alternatives to be reachable can also trigger much needed change. The implementation of a new technology like RFID implies a direct relationship between business and IT—something that has become of increased importance in the last decade. Airlines are a vital part of the service industry, focusing on the transportation of people, their luggage, and goods from one point to another. RFID brought into the airline industry a system that tracks the location of passengers’ luggage, directly impacting the level of service an airline can provide its customer. RFID introduced new possibilities in luggage handling that are beginning to impact the entire airline industry. In the commercial airline industry, where fiercely competition has been well established, customer satisfaction and service level are important selection factors for passengers. Like its predecessor—the barcode system—RFID tracks luggage and is used to identify which baggage belongs to which customer but using a different technique to do so. RFID, being a lot more accurate then the barcode system, makes the decision by an airline to implement it a move to establish its critical performance indicator.
INTRODUCTION

Radio frequency identification (RFID) is the current technology of demand in the airlines industry. Nearly all airlines in Western Europe and North America are either currently implementing an enterprise system or planning to do so, in an attempt to take advantage of RFID. The chapter not only explains what RFID has to offer but also what a successful RFID implementation in the airline industry involves. Airline business remains a large and growing industry that facilitates economic growth, world trade, international investment and tourism and is therefore central to globalization taking place in many industries. Its list of evidence in successfully automated business processes presents an interesting proposition for enterprise systems. As a result of the previous approaches to using IT innovations for business process management, certain IT projects are considered a minimum requirement in this industry. For example, almost every airline uses a reservation system that provides an easy way for customers to book flights. Other departments of the airline—including planning, catering, human resources, frequently use the information generated by the sales department of an airline, etc.—to make appropriate contribution to the common goal of providing quality services to its customers.

Competition among air carriers creates the need for constant cost reduction, thus, resulting to a constant search for cutting edge technology to assists in winning the battle for more customers.

In the decision making process for a VLITP, finance always plays a big role. This is especially true for VLITPs involving RFID. It is important to see the (potential) impact of RFID on the airlines industry as a whole, with focus on the understanding / fulfillment of customer needs, the overall business plan of airlines, and the financial aspects of implementing RFID. The two cases in this chapter demonstrate the importance of identifying various characteristics of competing technologies (i.e. RFID and barcode) and comparing them in costs and benefits before deciding which one to go with. Such comparison should also take into account the costs for maintenance and updates. Where it can be proven that the potential benefits are far less than the costs of the VLITP, implementation is certain not a prudent business decision.

The goal of this chapter is therefore to assist the reader in finding answers to the below questions when considering the implementation of RFID in the airline industry:

- Which technologies may emerge from the implementation of VLITPs in the airline industry?
- What is RFID?
- What are the major issues surrounding the need to introduce RFID?
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