

MALAYSIA AIRLINES: THE MARKETING CHALLENGE AFTER MH370 AND MH17¹

Professor Neeraj Pandey and Gaganpreet Singh wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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Late July 2014, Ahmad Jauhari Yahya, chief executive officer (CEO) of Malaysia Airlines (MAS), had the daunting task of sustaining a business that had suffered the tragic loss of two of its airliners, MH370 and MH17, in a span of just four months.² Prior to this, a US\$392 million loss in 2013, as well as the inability to compete with lower-cost carriers,³ had posed a great challenge to MAS. Management was planning to initiate a cost-cutting strategy to manage pricing and the competitive challenges of the aviation industry when these incidents shocked the world. The disasters greatly impacted customer confidence, as reflected in the company's declining booking rates and stock prices.⁴ It seemed MAS was inching towards a government bailout.

With its reputation severely damaged, MAS was faced with many hard-hitting questions from various stakeholders about the airline's prospects. Many in the industry felt there was a need to transform the entire business model. The top executives reviewed the situation and pondered various options, including rebranding the airline, a new discounted pricing structure to build volume, a private equity infusion, a merger and filing for bankruptcy. The company's former CEO, Abdul Aziz Abdul Rahman, optimistically believed MAS would survive the crisis: "I think it can survive, they have the foundation."⁵ However, the airline's finances revealed a much less positive outlook. In 2013, MAS had only RM3.8 billion⁶ in its cash reserves, which was far less than the necessary amount to draft and implement turnaround ideas. One of these ideas was the purchase of a new fleet of Airbus A380 airplanes, which had a list price of US\$466 million.⁷ Each option would have to be considered very carefully, as the changes made to the business would decide the future of MAS.

ABOUT MALAYSIA AIRLINES

Inception

MAS was the national carrier of Malaysia. The company started as Malayan Airways Limited and had its first commercial flight in 1947. After the separation of Singapore from Malaysia, the former partners formed separate entities in 1972, and were independently branded as Singapore Airlines and MAS. The larger part of MAS's shareholdings (69.4 per cent) was retained by the Malaysian government's sovereign wealth fund, Khazanah Nasional Berhad.⁸ MAS's two subsidiary airlines, Firefly and MASwings, operated

on different routes; Firefly operated only between tertiary cities in Malaysia and its two home bases, while MASwings operated inter-Borneo flights.⁹ Committed to customer service, MAS has received many awards, including a five-star rating from Skytrax and the title of “world’s leading airline to Asia” at the World Travel Awards.¹⁰ MASkargo and MASCharter, the other subsidiaries, operated cargo and charter flights, respectively. The airline’s non-aeronautical services included maintenance, repair and overhaul (MRO) (see Exhibit 1).¹¹

Growth

During the early 1980s, passenger air travel in Malaysia increased due to financial growth in the country. By 1990, MAS had started flying to 47 destinations, including London, Zurich, Paris, Frankfurt, Istanbul, Vienna, Amsterdam, Brussels, Adelaide, Darwin, Perth, Melbourne, Sydney and Auckland. By 1992, the airline had furthered its reach into Europe, as well as parts of Africa and South America, such as Brazil. MAS then strengthened its destination portfolio by collaborating with other airlines.¹²

The same decade saw changes in foreign investment regulations within Malaysia as the government endeavored to position Malaysia as a progressive industrialized economy. The establishment of various multinational plants in Malaysia increased passenger frequency to the country. In addition, in the early 1990s, a boom in export trade and tourism brought further stability to the airline. In 1991, approximately 5.5 million tourists visited Malaysia from neighbouring countries, such as the Philippines, Singapore and Thailand. Like many nations, Malaysia was also victim to the impact of the global recession and the Gulf War; however, in 1991, the tourism industry contributed US\$2.4 billion to the country’s trade balance. Increased foreign student enrollment in Malaysia, as well as a rise in the number of Malaysian nationals attending foreign universities from 1980 to 1990, led authorities to increase the frequency of intercontinental flights.¹³

First Phase of Loss

In 1997, the Asian financial crisis brought the expansion of MAS to a halt. Reports revealed that much of the company’s growth had been ego-driven and without efficient management.¹⁴ During this turbulent phase, the organization suffered a loss of RM260 million. The airline reduced its losses by 63 per cent in FY1998/99, but the trend turned downwards again. There were subsequent losses of RM417 million in FY2000/01, and RM836 million in FY2001/02.¹⁵

Second Phase of Loss

The second phase of loss occurred in 2005. Although the business saw an increase in passenger traffic (10.2 per cent) and passenger revenues (10.3 per cent) as compared to 2004, MAS still incurred a loss of RM1.3 billion. The main reasons for this decline included a decrease in cargo revenues in comparison to the previous year (4.2 per cent) and an increase in the various cost overheads, which primarily consisted of increased fuel prices (40.4 per cent), handling and landing, MRO, and widespread assets unbundling (WAU) charges and leases.¹⁶

Turnaround Phase (2005 to 2007)

Management realized that a business turnaround was needed to sustain MAS. Starting in 2005, the senior management team decided to draft a new blueprint to drastically improve the situation. At the end of 2005,

Idris Jala was inducted as managing director to implement the business turnaround plan. While publicizing the restructuring plan, Jala was quoted as saying,

We are dedicated to the creation of a company that will be a source of pride and admiration for its employees and indeed all its stakeholders. The Malaysia airline of tomorrow will maintain its five-star product, have a competitive cost structure in the region, be renowned as being one of the best places to work in Malaysia, have closed much of the revenue performance gap to our peers, and will return to profitability in 2007. We can do this, and we will.¹⁷

After the plan was put into practice, MAS announced a profit of RM851 million by the end of 2007¹⁸ — far beyond the expected target of RM300 million. The restructuring exercise emphasized the key areas of pricing, revenue management, route rationalizing, rescheduling of flights and tweaking the operating model (from point-to-point services to hub and spoke).

Third Phase of Loss

MAS recorded a massive loss of RM2.52 billion in 2011, due to an increase in fuel (25 per cent) and non-fuel expenses (50 per cent).¹⁹ Although revenues improved marginally from RM13.5 billion in 2010, to RM13.9 billion in 2011, the higher fuel and non-fuel expenditures — namely, the redelivery of aircrafts (RM602 million), impairment of freighters (RM314 million) and stock obsolescence (RM179 million) — pushed the organization towards another loss.²⁰ As part of a major restructuring of the leadership team, Yahya was appointed managing director and group CEO in September 2011.²¹

Subsequent Turnaround Phase

Led by its new CEO, MAS implemented various initiatives in response to its losses, such as route rationalization. The rerouting exercise enabled the airline to reduce available seat kilometres, one of the key performance indicators (KPIs) in the aviation industry, by 6 per cent. The company posted a net profit of RM51.4 million for the fourth quarter of 2012, a turnaround from the year before when the company was running at a net loss of RM1.3 billion.²² Yahya stated, “We continue to gain traction in multiple initiatives that focus on increasing revenue and managing costs. The results are very encouraging for our teams who have worked hard throughout the year.”²³

Although aggressive pricing improved the seat capacity and protected the market share of MAS, the weakening of the national currency increased the operating cost of its expanding fleet. The airline recorded a loss of RM375.4 million in the first half of 2013.²⁴ Yahya expressed his concerns: “We are extremely disappointed with these results, which emphasize the need to maintain our focus on cost control and drive improved efficiency and performance across all divisions.”

EVENTS IN 2014

The MH370 Disaster

MAS flight 370 was an international passenger flight departing from Kuala Lumpur and bound for Beijing. The airplane vanished on March 8, 2014, after losing contact with air traffic control within an hour of taking off. The plane carried 227 passengers of 15 different nationalities and 12 crew members.²⁵ The search operation, supported by numerous nations, started in the Gulf of Thailand and expanded to the South China Sea, the Strait of Malacca and the Andaman Sea.²⁶ A week-long investigation concluded that the airplane

had diverged from its original route plan.²⁷ Thus, the search area was expanded to the Southern Indian Ocean (West Australia).²⁸ The internationally supported investigation teams used various tools, such as satellite communication, hydroacoustic data and ping detections, and considered possible in-flight happenings, such as a power failure, an unresponsive crew and passenger/crew involvement, to rule out various explanations. After an extensive search of all likely locations, no debris was retrieved. None of the locations could be declared the crash site. Although the lack of information gave rise to many wild speculations about the disappearance of the aircraft, flight MH370 was eventually declared as having fallen into the Southern Indian Ocean.²⁹ The hunt for MH370 was the most expensive search ever undertaken, with costs reaching as high as US\$100 million.³⁰ Unsurprisingly, the tragic disappearance had an enormous impact on MAS's post-performance figures. The company's stock prices declined, booking rates plummeted, cancellations increased³¹ and there were even boycotts by travel agents in China.³²

The MH17 Tragedy

Just 131 days after the MH370 disaster, MAS suffered yet another blow. On July 17, 2014, flight MH17, en route to Kuala Lumpur from Amsterdam, was hit by a surface-to-air missile while flying over Eastern Ukraine near the Russian border.³³ The conjecture was that the aircraft was brought down by pro-Russian separatists with weapons provided by Russia.³⁴ The killing of 298 passengers, 66 per cent of whom were citizens of the Netherlands, was announced as the deadliest air incident³⁵ and the worst civilian airline shootdown in aviation history.³⁶ In light of this catastrophe, various airlines, including Aeroflot, Transaero, Air France, Turkish Airlines, Virgin Atlantic, Lufthansa and S7 Airlines decided to detour around Ukrainian airspace.³⁷

The two unforgettable tragedies, along with other competitive and operational difficulties, left MAS in a vortex of challenges. What immediate strategy could the leadership team use to counter such obstacles?

THE IMPACT OF TWO DISASTERS

The 2014 catastrophes had deeply impacted each member of the business value chain. MAS employees were in a state of emotional shock. The president of the flight attendants union reported, "Some of our members cannot fly because they have been affected mentally."³⁸

MAS stock prices dropped drastically (13 per cent)³⁹ after the MH17 tragedy, and the impact of the crisis was felt throughout the world. The markets in the United States and Europe witnessed a decline. Chris Weston, an IG market analyst, noted, "Today is going to be a pretty ugly day."⁴⁰

Apart from MAS, the stock process of other global airlines also recorded a downturn. Some of these losses included the stocks of Delta Air Lines (by 3.4 per cent), United Continental (3.9 per cent), China Eastern (2.2 per cent) and American Airlines (3.3 per cent).⁴¹ Overall, MAS lost US\$148 million in the first quarter of 2014. The loss included the cancellations or delays of more than 30,000 bookings after the first disaster.⁴²

Further impacts of the MH370 and MH17 tragedies included increases in insurance premiums, particularly for flying over conflict zones such as Syria, Iraq and Afghanistan.⁴³ Bypassing conflict areas and taking longer routes to reach destinations would substantially increase the fuel and other costs. As per the clauses of the international treaty, MAS was legally responsible for disbursing US\$175,000 per person impacted by the tragedies, for a total of more than US\$40 million.⁴⁴ Beyond these costs, employee salaries, union pacts and catering agreements would have to be renegotiated to help overcome this challenge.⁴⁵ How could MAS regain its position as one of the finest airlines in the world in order to retain and attract customers?

MALAYSIA: THE HUB

Tourist Destination

Malaysia was known for its plethora of tourist attractions. Its rich history, culture and natural attractiveness made it an ideal vacation destination. In 2012, the United Nations World Tourism Organization listed Malaysia as the 10th-most visited country,⁴⁶ and it had been witnessing a consistent increase in the number of tourist arrivals since 1998 (see Exhibit 2).⁴⁷

Tourism had been cited as a recession-proof industry, as both domestic and international travelers commuted throughout the year. Offers of affordable airfares by low-cost carriers emerged as an important enabler in promoting Malaysia as a popular tourist destination. The rising demand for medical tourism, ecological tourism, luxury tourism and business tourism had propelled Malaysia's acceptance as a preferred tourist destination across the globe. Tourism had been designated a national key economic area by the Malaysian government. The government started the "Entry Point Project," which included the removal of import duties, to help in eventually positioning Malaysia as a popular and duty-free shopping country. Its geographical proximity to China and India also helped in increasing the flow of tourists.

The conducive legislative environment was one of the critical contributing factors in promoting tourism in Malaysia. The increased focus on medical tourism had also furthered economic growth. A government-controlled agency called the Malaysia Healthcare Travel Council was introduced to supervise and promote healthcare-related travel. Malaysia attracted 236,836 foreign patients in 2012, generating RM751 million in value sales. To further improve business tourism, the Malaysia Convention and Exhibition Bureau (MyCEB) had been reinforced. To provide potential travelers with holistic entertainment, the Malaysia Mega Biodiversity Hub created many initiatives to develop and promote ecological tourism in Malaysia.⁴⁸

Travel and Tourism: Future Potential

In 2013, travel and tourism directly contributed RM70.4 billion to Malaysia's gross domestic product (GDP) (7.2 per cent of total GDP) and this figure was anticipated to increase by 7 per cent in 2014. From 2014 to 2024, travel and tourism was expected to increase by 4.4 per cent per annum to eventually reach RM115.4 billion (7.6 per cent of total GDP) in 2024 (see Exhibit 3). Similarly, the total contribution of travel and tourism to the country's GDP was RM158.2 billion (16.1 per cent of GDP) in 2013, and was predicted to increase by 6.8 per cent in 2014; the evaluation would reach RM262.5 billion (17.3 per cent of GDP) in 2024.

Moving in a phased manner, MAS planned to choose countries that may be prioritized as part of its restructuring plan. Exhibit 4A shows forecasted arrivals by country of origin from 2014 to 2017, with Singaporean and Indonesian nationals expected to make up the highest number. Singapore would provide the highest-spending tourists (see Exhibit 4B). Exhibit 4C highlights the purpose of travel. Exhibit 4D shows that air travel would be the preferred mode of travel in the country. MAS, being the national carrier, could target a maximum share of this expected increase in air travel by incoming tourists.

The situation was equally promising in terms of departures. The number of passengers seeking overseas departures was expected to witness consistent growth (see Exhibit 5A). Of the potential tourists, the majority would leave for vacation purposes, and most were expected to travel by air (see Exhibits 5B and 5C). The figures indicate the significant potential for MAS in the coming years.

FINANCIAL KPIS AND THE FUTURE

After the first tragedy in March 2014, MAS witnessed a decrease in the number of travelers and in revenue passenger kilometres, a criterion which was often used in evaluating aviation performance (see Exhibit 6). In line with the broader trend, the Samoan women's rugby team switched from MAS to Thai Airways on July 27, 2014, for a World Cup event in France.⁴⁹ One travel agent who saw a cancellation rate of more than 30 per cent of MAS bookings in her office noted the anxiety of the passengers, saying they were "very, very afraid about anything else happening again."⁵⁰ MAS recorded an after-tax loss of RM576 million at the end of November 2014.⁵¹

Of all the possible options, could a restructured pricing strategy play a critical role in retaining and attracting customers to MAS? What specific new pricing structures would make customers choose MAS over other airlines? How should the tradeoff of decreasing price and increasing value be managed? After so many tragedies and such a massive backlash, what actions must be taken in order to recover loyalty to the airline and recoup MAS's losses? Yahya knew that the answers to these questions would decide whether MAS would take off once again or remain grounded.

EXHIBIT 1: REVENUE CONTRIBUTION (IN RM MILLION)

| Revenue Sheet | | | | |
|-------------------|---------|----------|----------|----------|
| | Company | | Group | |
| | 2012 | 2013 | 2012 | 2013 |
| Passenger Revenue | 9,962.3 | 11,064.3 | 10,573.1 | 11,663.5 |
| Cargo Revenue | 896.8 | 875.2 | 1,681.4 | 1,661.9 |
| Airport Services | 207.7 | 254.3 | 212.6 | 256.9 |
| Charter Services | 228.9 | 205 | 267.7 | 250.4 |
| Others | 634.7 | 718.2 | 551.8 | 715.5 |

Source: Malaysian Airline System Berhad, "Annual Report 2013" Malaysia, http://ir.chartnexus.com/mas/website_HTML/attachments/attachment_3786_140604085517.pdf, accessed April 22, 2015.

EXHIBIT 2: TOURIST ARRIVALS AND RECEIPTS TO MALAYSIA

| Year | Arrivals (million) | Receipts (in billions) |
|------|--------------------|------------------------|
| 2013 | 25.72 | 65.44 |
| 2012 | 25.03 | 60.6 |
| 2011 | 24.71 | 58.3 |
| 2010 | 24.58 | 56.5 |
| 2009 | 23.65 | 53.3 |
| 2008 | 22.05 | 49.6 |
| 2007 | 20.97 | 46.1 |
| 2006 | 17.55 | 36.3 |
| 2005 | 16.43 | 32.0 |
| 2004 | 15.70 | 29.7 |

Source: Research, Facts & Figures, http://corporate.tourism.gov.my/research.asp?page=facts_figures, accessed April 30, 2015.

EXHIBIT 3: ESTIMATES AND FORECAST

| Malaysia | 2013 RM billion ¹ | 2013 % of total | 2014 Growth ² | 2024 | | |
|-----------------------------------|------------------------------------|-----------------------|-----------------------------|----------------------------|------------|---------------------|
| | | | | RM billion ¹ | % of total | Growth ³ |
| Direct contribution to GDP | 70.4 | 7.2 | 7 | 115.4 | 7.6 | 4.4 |
| Total contribution to GDP | 158.2 | 16.1 | 6.8 | 262.5 | 17.3 | 4.5 |
| Direct contribution to employment | 881 | 6.7 | 5.1 | 1254 | 7.5 | 3.1 |
| Total contribution to employment | 1,857 | 14.1 | 4.8 | 2,648 | 15.8 | 3.1 |
| Visitor exports | 68.7 | 8.5 | 9.5 | 112.8 | 8.6 | 4.1 |
| Domestic spending | 56.3 | 5.7 | 4.1 | 92.4 | 6.1 | 4.7 |
| Leisure spending | 60.6 | 3.5 | 2.1 | 81 | 3 | 2.7 |
| Business spending | 64.4 | 3.7 | 11.6 | 124.2 | 4.6 | 5.6 |
| Capital investment | 20.7 | 7.7 | 5.1 | 37.7 | 9 | 5.7 |

¹ 2013 constant prices and exchange rate. ² 2014 real growth adjusted for inflation (%). ³ 2014–2024 annualized real growth adjusted for inflation (%). ⁴ 000 jobs.

GDP: Direct Contribution: GDP generated by organizations that deal directly with tourists, including hotels, travel agents, airlines and other passenger transport services, as well as the activities of restaurants and leisure industries.

GDP: Total Contribution: GDP generated directly by the travel and tourism sector and its indirect and induced impacts.

Indirect Contribution: The contribution to GDP and employment of three factors: capital investment, government collective spending and supply chain effects.

Induced Contribution: The broader contribution to GDP and employment of spending by those who are directly or indirectly employed in travel and tourism.

Employment: Direct Contribution: The number of direct jobs in the travel and tourism industry.

Employment: Total Contribution: The number of jobs generated directly in the travel and tourism industry and the indirect and induced contributions.

Visitor Exports: Spending within the country by international tourists on both business and leisure trips, including spending on transport but excluding international spending on education.

Capital Investment: This includes spending by all sectors directly involved in travel and tourism.

Source: www.wttc.org/~media/files/reports/economic%20impact%20research/country%20reports/malaysia2014.ashx, accessed April 23, 2015.

EXHIBIT 4A: FORECAST ARRIVALS BY COUNTRY OF ORIGIN (2014–2017)

| Country | 2014 | 2015 | 2016 | 2017 | Total |
|------------------|----------|----------|----------|----------|-----------|
| Singapore | 12,588.2 | 12,512.7 | 12,525.2 | 12,625.4 | 50,251.5 |
| Indonesia | 2,843.6 | 3,042.7 | 3,210 | 3,338.5 | 12,434.8 |
| China | 1,899.4 | 2,100.7 | 2,222.5 | 2,244.8 | 8,467.4 |
| Brunei | 1,288.4 | 1,300 | 1,309.1 | 1,315.7 | 5,213.2 |
| Other Countries | 1,273.3 | 1,144.9 | 1,130.3 | 1,291 | 4,839.5 |
| Philippines | 852.1 | 988.5 | 1,057.7 | 1,036.5 | 3,934.8 |
| Thailand | 1,040 | 982.8 | 953.3 | 948.5 | 3,924.6 |
| India | 694 | 697.5 | 702.4 | 708.7 | 2,802.6 |
| Japan | 602.7 | 650.9 | 680.2 | 687 | 2,620.8 |
| Australia | 451.1 | 442.1 | 444.3 | 457.7 | 1,795.2 |
| United Kingdom | 401.8 | 403.4 | 406.2 | 410.3 | 1,621.7 |
| South Korea | 322.7 | 340.1 | 355.8 | 369.3 | 1,387.9 |
| USA | 280.1 | 294.1 | 302.9 | 305.9 | 1,183 |
| Taiwan | 262.3 | 273.6 | 285.9 | 299.3 | 1,121.1 |
| Hong Kong, China | 172.2 | 180.8 | 184.4 | 182.6 | 720 |
| France | 152.4 | 160.3 | 168 | 175.4 | 656.1 |
| Germany | 146 | 154.2 | 162.9 | 172.4 | 635.5 |
| Saudi Arabia | 127.8 | 138.1 | 145.6 | 150 | 561.5 |
| Canada | 89.4 | 90.9 | 92.6 | 94.6 | 367.5 |
| Netherlands | 86 | 85.8 | 86.1 | 87.1 | 345 |
| Russia | 55.4 | 59.6 | 62.5 | 64.1 | 241.6 |
| New Zealand | 57.1 | 55.4 | 55.2 | 56.3 | 224 |
| Italy | 45.6 | 46.4 | 47.2 | 48.2 | 187.4 |
| Sweden | 32.2 | 30.9 | 30.6 | 31.2 | 124.9 |
| Arrivals | 25,763.9 | 26,176.1 | 26,621.1 | 27,100.3 | 105,661.4 |

Source: "Travel and Tourism in Malaysia," *Euromonitor*, 2013.

EXHIBIT 4B: FORECAST INCOMING TOURIST RECEIPTS BY COUNTRY (IN RM MILLION)

| Country | 2014 | 2015 | 2016 | 2017 |
|------------------|----------|----------|----------|----------|
| Australia | 1,967.4 | 1,921.1 | 1,912.1 | 1,936.3 |
| Brunei | 2,807.9 | 2,777.7 | 2,748.3 | 2,715.6 |
| Canada | 206.2 | 205.9 | 206.1 | 206.7 |
| China | 5,048.0 | 5,529.2 | 5,818.6 | 5,863.8 |
| France | 359.0 | 367.8 | 375.9 | 382.5 |
| Germany | 430.2 | 449.3 | 470.1 | 492.3 |
| Hong Kong, China | 442.8 | 459.0 | 464.9 | 459.4 |
| India | 1,716.0 | 1,690.8 | 1,671.2 | 1,654.6 |
| Indonesia | 5,200.0 | 5,465.8 | 5,644.4 | 5,716.0 |
| Italy | 118.4 | 117.2 | 116.4 | 115.9 |
| Japan | 1,582.3 | 1,694.3 | 1,766.3 | 1,788.7 |
| Netherlands | 252.2 | 248.0 | 245.9 | 245.4 |
| Philippines | 1,572.3 | 1,807.3 | 1,919.7 | 1,868.5 |
| Russia | 171.6 | 177.9 | 180.2 | 178.1 |
| Singapore | 27,057.6 | 26,660.0 | 26,482.3 | 26,479.9 |
| South Korea | 666.3 | 690.0 | 710.4 | 726.4 |
| Sweden | 86.9 | 81.5 | 79.0 | 78.8 |
| Taiwan | 578.7 | 598.6 | 620.5 | 643.7 |
| Thailand | 1,030.7 | 977.1 | 956.2 | 963.6 |
| United Kingdom | 1,423.1 | 1,392.4 | 1,366.7 | 1,342.3 |
| USA | 834.2 | 864.5 | 880.0 | 878.2 |
| Other Countries | 8,515.5 | 8,988.6 | 9,664.0 | 10,628.7 |
| Arrivals | 62,067.3 | 63,164.0 | 64,299.2 | 65,365.4 |

Source: "Travel and Tourism in Malaysia," *Euromonitor*, 2013.

EXHIBIT 4C: FORECAST ARRIVALS BY PURPOSE OF VISIT

| Purpose | 2014 | 2015 | 2016 | 2017 |
|----------|----------|----------|----------|----------|
| Business | 5,119.7 | 5,201.3 | 5,286.8 | 5,374 |
| Leisure | 20,644.3 | 20,974.9 | 21,334.3 | 21,726.3 |
| Arrivals | 25,764.0 | 26,176.2 | 26,621.1 | 27,100.3 |

Source: "Travel and Tourism in Malaysia," *Euromonitor*, 2013.

EXHIBIT 4D: FORECAST ARRIVALS BY MODE OF TRANSPORT

| Mode | 2014 | 2015 | 2016 | 2017 |
|----------|----------|----------|----------|----------|
| Air | 11,547 | 11,874.1 | 12,243.3 | 12,588.1 |
| Land | 12,969.5 | 13,041 | 13,101.4 | 13,219.5 |
| Rail | 494.8 | 497.7 | 500.3 | 514.9 |
| Sea | 752.7 | 763.3 | 776.1 | 777.8 |
| Arrivals | 25,764.0 | 26,176.1 | 26,621.1 | 27,100.3 |

Source: "Travel and Tourism in Malaysia," *Euromonitor*, 2013.

EXHIBIT 5A: FORECAST DEPARTURES BY DESTINATION (2014–2017)

| Country | 2014 | 2015 | 2016 | 2017 |
|------------------|----------|----------|----------|----------|
| Australia | 288.6 | 303.0 | 316.7 | 329.4 |
| China | 1,462.3 | 1,515.0 | 1,566.5 | 1,616.6 |
| Hong Kong, China | 415.9 | 419.3 | 426.4 | 437.5 |
| Indonesia | 1,337.0 | 1,358.4 | 1,382.8 | 1,410.5 |
| New Zealand | 28.2 | 27.0 | 26.4 | 26.1 |
| Saudi Arabia | 192.8 | 211.9 | 233.2 | 257.3 |
| Singapore | 8,258.1 | 8,472.8 | 8,676.1 | 8,867.0 |
| Thailand | 2,496.4 | 2,596.2 | 2,674.1 | 2,727.6 |
| United Kingdom | 132.6 | 134.8 | 137.8 | 141.5 |
| USA | 64.8 | 66.1 | 67.4 | 68.8 |
| Other Countries | 1,849.1 | 1,958.2 | 2,077.6 | 2,208.5 |
| Departures | 16,525.7 | 17,062.6 | 17,585.0 | 18,090.7 |

Source: "Travel and Tourism in Malaysia," *Euromonitor*, 2013.

EXHIBIT 5B: FORECAST DEPARTURES BY PURPOSE OF VISIT

| Purpose | 2014 | 2015 | 2016 | 2017 |
|----------|--------|--------|--------|--------|
| Business | 4,370 | 4,436 | 4,494 | 4,640 |
| Leisure | 12,156 | 12,627 | 13,091 | 13,450 |
| Arrivals | 16,526 | 17,063 | 17,585 | 18,091 |

Source: "Travel and Tourism in Malaysia," *Euromonitor*, 2013.

EXHIBIT 5C: FORECAST DEPARTURES BY MODE OF TRANSPORT

| Mode | 2014 | 2015 | 2016 | 2017 |
|----------|----------|----------|----------|----------|
| Air | 6,713.4 | 7,127.5 | 7,564.7 | 7,871.3 |
| Land | 8,876.6 | 8,961.2 | 9,010.0 | 9,200.9 |
| Rail | 62.5 | 63.0 | 63.0 | 61.5 |
| Sea | 873.2 | 910.8 | 947.3 | 957.0 |
| Arrivals | 16,525.7 | 17,062.5 | 17,585.0 | 18,090.7 |

Source: "Travel and Tourism in Malaysia," *Euromonitor*, 2013.

EXHIBIT 6: OPERATIONAL KPIS

| | | Jan 14 | Jan 13 | Feb 14 | Feb 13 | Mar 14 | Mar 13 | Apr 14 | Apr 13 | May 14 | May 13 | Jun 14 | Jun 13 |
|------------------------------|-----|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Domestic | | | | | | | | | | | | | |
| Revenue Passenger Kilometres | mil | 419.7 | 314.7 | 411.5 | 343.3 | 455.0 | 354.1 | 406.9 | 343.3 | 426.2 | 416.7 | 489.6 | 475.8 |
| Available Seat Kilometres | mil | 590.2 | 513.9 | 534.4 | 460.0 | 580.5 | 502.9 | 562.7 | 533.3 | 595.7 | 564.7 | 579.3 | 568.6 |
| Load Factor | % | 71.1 | 61.2 | 77.0 | 74.6 | 78.4 | 70.4 | 72.3 | 64.4 | 71.5 | 73.8 | 84.5 | 83.7 |
| Passengers Carried | 000 | 504.0 | 393.0 | 501.0 | 428.0 | 545.0 | 462.0 | 488.0 | 449.0 | 494.0 | 528.0 | 570.0 | 587.0 |
| International | | | | | | | | | | | | | |
| Revenue Passenger Kilometres | mil | 3,483.1 | 2,991.1 | 3,388.9 | 2,824.6 | 3,596.5 | 3,391.7 | 3,604.3 | 3,338.8 | 3,208.2 | 3,410.3 | 3,412.7 | 3,597.7 |
| Available Seat Kilometres | mil | 4,857.5 | 3,971.2 | 4,415.0 | 3,661.8 | 4,886.5 | 4,247.4 | 4,742.7 | 4,152.2 | 4,678.2 | 4,314.2 | 4,500.6 | 4,266.0 |
| Load Factor | % | 79.1 | 75.5 | 76.8 | 77.1 | 73.6 | 79.9 | 76.0 | 80.4 | 68.6 | 79.0 | 75.8 | 84.3 |
| Passengers Carried | 000 | 961.0 | 747.0 | 884.0 | 723.0 | 949.0 | 847.0 | 917.0 | 835.0 | 853.0 | 876.0 | 893.0 | 922.0 |
| Total | | | | | | | | | | | | | |
| Revenue Passenger Kilometres | mil | 4,262.8 | 3,313.7 | 3,800.4 | 3,167.9 | 4,051.5 | 3,745.8 | 4,011.2 | 3,682.1 | 3,634.4 | 3,827.0 | 3,902.3 | 4,073.5 |
| Available Seat Kilometres | mil | 5,447.7 | 4,485.1 | 4,949.4 | 4,121.8 | 5,467.0 | 4,750.3 | 5,305.4 | 4,685.5 | 5,273.9 | 4,878.9 | 5,079.9 | 4,834.6 |
| Load Factor | % | 78.2 | 73.9 | 76.8 | 76.9 | 74.1 | 78.9 | 75.6 | 78.6 | 68.9 | 78.4 | 76.8 | 84.3 |
| Passengers Carried | 000 | 1,465.0 | 1,140.0 | 1,386.0 | 1,151.0 | 1,494.0 | 1,308.0 | 1,405.0 | 1,284.0 | 1,348.0 | 1,403.0 | 1,463.0 | 1,509.0 |

Source: www.malaysianwings.com/forum/index.php?showtopic=12195&page=27, accessed April 23, 2015.

ENDNOTES

¹ This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in this case are not necessarily those of Malaysia Airlines or any of its employees.

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