

## **Section I: Industry and Company Analysis**

### **Company and Industry Profiles**

Marriot International operates in the hotels and motels segment of the accommodation and food services sector. Businesses operating in this segment provide resort hotels, motor hotels, and short-term lodging in hotels (IBISWorld, 2021). As a leading company, Marriot International takes an active role in the growth of the U.S. travel and tourism industry, a significant contributor to the country's GDP. According to ITA (2021), the industry realized more than \$1.6 trillion in economic output in 2017. In addition, the sector generates more than 7.8 million jobs in the United States, promoting increased revenue from 1995 to 2020 (See Appendix 1). Exports by the industry account for at least 11% of all national exports, constituting 32% or a third of the entire U.S. services exports (ITA, 2021) (See appendix 2). The 2017 statistics reveal the importance of international visitors to the economic development of the United States. International visitors in that year spent \$251 billion that resulted in more than \$77 billion in commerce (ITA, 2021).

The report by the Department of Commerce confirms that the United States is still a preferred destination by international travelers. The Department projected an increase in international visitors to reach a volume of 95.5 million by 2023 (ITA, 2021). The figures disclose a double increase with the statistics recorded in 2000 (ITA, 2021). From a business perspective, the United States is among the preferred leading destinations in international travel and tourism. It is in the third position regarding total visitations (ITA, 2021). However, the sector has recorded some discrepancies between 2020 and 2021 (See Appendix 3). The NTTO (National Travel and Tourism Office) at the U.S. Department of Commerce is the point of contact on behalf of the federal government. Statistics for the years 2020/2021 reveal that the United States is still performing well in international travel and tourism despite the emergence of the COVID-19 pandemic. According to Condor Ferries Ltd. (2021), International and domestic travel contributes more than \$1.1 trillion of the U.S. GDP. The domestic tourists moving within the United States made the most significant contribution to the revenue generated in 2020. They produced a total of \$2.29 billion that represented a 2% increase in the past year (Condor Ferries Ltd, 2021). The number of travelers engaging in outbound traveling was 79.6 million, lower than in previous years. However, the numbers accounted for a 3.5% increase from the past year (Condor Ferries Ltd, 2021). Appendix 4 gives in-depth details of domestic, inbound, and outbound tourism (OECD, 2018). A breakdown of the tourism sector shows that leisure travel dominates the industry with 73.8% of all tourism in the United States. 26.2% of all tourism accounts for business, and other purposes travel (Condor Ferries Ltd, 2021).

### **Industry Classification/Size and Growth**

The hotel and motel industry classification SIC Code is 7011 for hotels and motels (SICCODE.com, 2020). The NAICS code is 721110 for hotels apart from Casino Hotels and Motels (SICCODE.com, 2020). The Hotels and Motels industry in 2021 U.S. market size is \$133.5bn. The figures represent a growth of 55% in 2021. However, the industry recorded -7.5% in the Hotels and Motels U.S. Annualized Market Growth in 2016 to 2021 (SICCODE.com, 2020). The decrease was caused by crises, including COVID-19 causing many businesses to stop their operations because of travel restrictions (Hotel Tech Report, 2021) (See appendix 5). As a result, the United States is anticipated to lose more than other countries (Hotel Tech Report, 2021) (See appendix 6). Revenue in the industry was expected to reach \$50 570 million in 2021. The income would indicate an annual growth rate of 22.6%. The growth was expected to expand the market volume by \$ 114 512 by 2025 (Statistica, 2021). Besides, the number of clients in the hotels' segment was projected to increase to 157.9 million by 2025 (Statistica, 2021). However, the pandemic affected the hotel occupancy rates, inhibiting the projections' realization (Hotel Tech Report, 2021) (See appendix 7). The user penetration rate is 23.3% in 2021, and it will reach 46.0% in 2025. At least 76% of the total revenue will be realized by online sales by 2025 (Statistica, 2021). Most of the travel bookings happen online, which has increased the online Travel Booking market. The consumers show an increased booking activity through the provider's website, online travel agency (OTA), tour operator, telephone, and travel agency (Statistica, 2021).

The travel and tourism industry is anticipated to grow and reach \$2.4 trillion by 2028, which will lead to similar growth in the Hotel and Motel segment. Different population groups have distinct travel demands. For example, the Baby Boomer travels for at least 27 days, while Gen X travels for 26 days, Millennials for 35 days, and Gen Z 29 days per year (Condor Ferries Ltd, 2021). The top five outbound countries by the continent classification are South America with 2.1 million visitors, Europe with 17.7 million, Central America with 3.2 million, the Caribbean with 8.7 million, and Asia with 6.2 million (Condor Ferries Ltd, 2021). The top five inbound countries include Japan with 3.4 million travelers, Canada with 12.3 million, Japan with 3.4 million, the U.K. with 4.9 million, and Mexico with 19.1 million tourists. Cities attracting the highest numbers of tourists in the United States are Miami, Vegas, and LA which attracts 5.38 million visitors, 3.33 million, and 4.98 million respectively, Other cities include, New York with almost 10 million visitors and San Francisco with over 3.5 million, and Orlando with almost 4.5 million visitors (Condor Ferries Ltd, 2021). The flow of travelers implies the Hotel and Motel industry receives earnings from their expenditures. The payment sources include lodging at \$232.2B, auto transportation at \$166.5B, retail at \$109.6B, food services at \$267.7B, public transport at \$200.4B, and recreation at \$112.6B (Condor Ferries Ltd, 2021).

The Hotel and Motel segment uses a five-star rating system to establish the rates of the hotels. The lowest score comprises one star, and the highest score is five stars. The lowest score of one star implies the hotel offers basic accommodations. The two-star ratings reveal that a hotel charges an affordable price for service. A hotel with a two-star rating meets the clients' expectations on comfort (Minazzi, 2010). A three-star rating implies a hotel has unique facilities that make it stand out among others in the market. Businesses with three stars give quality service. A four-star hotel provides extraordinary comfort and satisfies clients' anticipation of upscale standards. A five-star rating implies a company utilizes the current technology to provide services to clients. Five-star hotels also offer high-end luxury toiletries for visitors and charge more for service delivery (Minazzi, 2010).

### **Company Size and Growth**

Marriott International is one of the highly ranked travel and leisure companies. The company is reputable in the industry, with over 6,000 properties across the world. In addition, it is known to have a favorable work environment for its employees. In particular, the organization has diverse brands in hotels (Mergent Online, 2021). They range from budget to luxurious hotels employing over 121,000 staff. Marriott International has 7,300 hotels, timeshare, residential properties, and almost 1.4 million guest rooms encompassing the Renaissance Hotel brands and premium Delta Hotels (Mergent Online, 2021). Marriott International conducts business through three segments: North American Limited-Service, Asia/Pacific, and North American Full-Service segments (See appendix 8). Most of the revenue representing 65% of Marriott International's total income is derived from the North American Full-Service part (See appendix 9). The element entails Marriott's luxury and premium brands like The Ritz-Carlton, JW Marriott, and W Hotels (Vault.com Inc, 2021).

The North American Limited-Service segment is responsible for more than 15% of the total sales realized by Marriott International. The component comprises Fairfield Inn and Suites, Residence Inn, and Courtyard in Canada and the United States. The Asia/Pacific segment generates approximately 5% of the total revenue (Vault.com Inc, 2021). It consists of hotels in Japan and other operations like corporate and international business in Latin America and EMEA (See appendix 9). However, the global functions are not a component of Marriott International's central business units (Vault.com Inc, 2021). Marriott International is located in Maryland, but its business expands to more than 130 nations in the Caribbean, Asia Pacific, Africa, Latin America, the Middle East, and Europe (Vault.com Inc, 2021). The organization conducts sales and marketing through online advertising, email, and postal mailing (Nyangwe & Buhalis, 2018). In addition, Marriott International emphasizes cross-brand loyalty through a point-based membership scheme that offers money used on timeshare intervals, hotels, residential products, and fractional ownership. As a result, the cost of advertising increased, as seen from the statistics. The company incurred \$562 million in 2017, \$660 million in 2018, and \$851 million in 2019 (Vault.com Inc, 2021).

Marriott International's revenue has increased in the past five years (Marriott International Inc. 2021). (See appendix 10 & appendix 11). Nonetheless, revenue growth decreased in 2019, in which the organization recorded a 1% 'uptick' to \$21.0 billion compared to 2018 figures. The decrease resulted from high expenses, causing a drop by 33% to 1.3 million compared to 2018 outcomes (Vault.com Inc, 2021). The company realized increased earnings across the three segments from franchise fees and base management. The organization's cash at hand at the end of 2019 was \$523 million, which represented a decrease of \$107 million from the accounts of 2018. Other expenses came from investments accounting for \$284 million, operating activities spent \$1.7 billion, and financing activities utilized \$1.5 billion in treasury stock (Vault.com Inc, 2021). The company currently ranks third in the Hotels and Motels industry in terms of revenue, assets, and the total number of employees (See appendix 12).

### **Company Profitability**

#### ***Factors affecting profitability including Price factors***

Various factors affect Marriott International's profitability. They include competition from companies offering services supported by technology. For instance, Airbnb provides hotel business in the form of online rental services. The platform facilitates business in which private individuals rent their homes or rooms directly to clients (PESTLE, 2021). Airbnb has a significant influence on the market. For instance, an estimated 6 million travelers stayed on its properties in 2013. Moreover, the company has an extensive listing for New York at around 25,500 (PESTLE, 2021). The statistics show stiff competition facing Marriott International.

Price factors also have an impact on Marriott International's profitability. An increase in fuel costs would result in expanded costs in travel, which would decrease the activity. Consequently, the company would experience reduced demand for hotel rooms, which translates to lower profits. Other prices like electricity costs would increase the company's overheads and reduce gains realized in the business (PESTLE, 2021).

Similarly, hotel development affects its profitability. Business expansion requires heavy investment to ensure the company is present in various market niches. However, a lack of proper planning may cause a company to suffer losses. Therefore, a hotel should balance its expansion decisions concerning size, location, and amenities with the required financial requirements. The decision should ensure the company is not investing in unnecessary areas and ensure it is up to standards to meet the dynamic needs of the growing clientele base. Making the right decisions will provide the company realizes profits from the investment (MyDigitalOffice, 2021).

#### ***Product segmentation***

Marriott International's product segmentation involves the separation of its brands into distinctive and classic groups. The classic hotels provide timeless attributes against characteristics hotels offering an asserted personality. The brands are categorized fairly. There are 16 brands in the Distinctive and 15 in the Classic groups. Furthermore, the company differentiates the brands on the grounds of service. The products include Select, Premium, and Luxury. Likewise, the business distinguishes its brands into long-stay and short-stay hotels. The identified distinction approaches help Marriott International market its products globally and reach a wider population (Hospitality ON, 2021).

### **Company Analysis of Vision, Mission; Guiding Principles**

Marriott International's vision is to become the world's favorite travel company (Business Strategy Hub, 2021). The company's vision discloses its intention in the industry to create a lasting mark of excellence. The business aims at creating a distinct personality enabling it to be the first choice of travelers. The company made a sharp vision to ease its implementation by the employees. The vision communicates the organization's goal of ensuring its clients have a good experience and good memories of service received. The company has achieved success by incorporating the vision with organizational culture and work ethics (Business Strategy Hub, 2021). The company's mission is to enhance the lives of its customers. The approaches to achieve this objective include creating and enabling unsurpassed vacation and leisure experience' (Business Strategy Hub, 2021). The mission statement discloses that Marriott International aims

to improve its clients' lives by providing value for their investment. The company believes that client satisfaction is the key to business success. Marriott International offers premium services to its customers with the hope of becoming a profitable company in the future. Besides, the mission statement guides the process of developing client experience. Marriott International offers a vacation experience dominated by enjoyment and comfort, enabling customers to appreciate their money's worth. The company has created a credible brand name because some brands, like the Ritz-Carlton Hotel, are high-profile targets by celebrities (Business Strategy Hub, 2021).

The company's guiding principles include putting people first, embracing change, pursuing excellence, serving the world, and acting with integrity (Business Strategy Hub, 2021). The guiding principles enable the company to maintain high performance in a competitive market. The company designs brands to fulfill the values and win customer loyalty. First, the organization focuses on satisfying its clients by considering the wants. Marriott International empowers employees with competencies that enable them to fulfill the principle of prioritizing people. The value of excellence ensures the company maintains high-standard services in the industry. Marriott International achieves the goal by investing in a highly talented workforce (Business Strategy Hub, 2021). The principle of adopting change enables the company to embrace high technology in service delivery. Accordingly, it maintains its competitiveness in the dynamic industry. The aspect of integrity is critical because it helps the company to develop trustworthy brands. The organization also gives back to the community, which is motivated by the principle of serving the world (Business Strategy Hub, 2021)