**Marriott Inc. Revenue and Cost Drivers**

**Revenue Drivers**

* Base Management Fees: hotel management services – based on a percentage of the revenues of hotels.
* Cost Reimbursement: Payroll and related expenses, monthly cash contributions from managed, franchised, owned, and leased properties based on a portion of qualified spend by Loyalty Program members.
* Incentive Management Fees: license fees for use of intellectual property - generally based on a measure of hotel profitability.
* Franchise Fees: license fees for use of intellectual property.
* Owned and Leased Hotel Revenue: Fixed nightly fees and additional fees for accommodations and other ancillary services.
* Other Revenue: Global Design fees, which we describe below, termination fees, and other property and brand revenues.
* Average Daily Rate for company-operated properties shows growth in every region except Greater China.
* Both International and Total Worldwide ADR Rate for company-operated properties show growth.
* Average Daily Rate systemwide (company-operated properties plus franchises) shows growth in every region except Greater China.
* Both International (Outside of US & Canada) and Total Worldwide ADR Rate for systemwide (company-operated properties plus franchises) show growth.
* Occupancy Rates for company-operated properties and systemwide properties show growth in all regions except in Greater China from 2021 to 2022.
* Overall International and Worldwide Occupancy Rates for company-operated properties and systemwide properties both show growth.
* RevPAR (revenue generated per available room) for company-operated properties and systemwide properties shows growth in all regions except Greater China.
* Overall RevPAR for both International and Worldwide segments show growth.

**Correlation Coefficients**

|  |  |  |
| --- | --- | --- |
| **Correlation Coefficient** | **2021** | **2022** |
| **RevPAR/Occupancy** | 0.86 | 0.82 |
| **RevPAR/ADR** | 0.86 | 0.97 |
| **Occupancy/ADR** | 0.68 | 0.90 |

The significance of Revenue per Available Room (“RevPAR”) as a performance metric lies in its capacity to gauge the period-over-period shift in room revenues for comparable properties. This provides a valuable benchmark for evaluating financial performance.

The correlation coefficients have been calculated focusing on the variance between each variable and its mean against the other variables. The coefficients affirm a robust correlation across the growth trajectories of each variable. Notably, the correlation between Average Occupancy and Average Daily Rate exhibits a marginally lower magnitude in the year 2021.

This examination of correlation coefficients underscores the interconnected nature of key variables, emphasizing the coherence in the growth patterns within the parameters considered. Despite a slightly diminished correlation between Average Occupancy and Average Daily Rate in 2021, the overall coherence among these variables attests to the intricate relationship that underpins Marriott Inc.'s operational dynamics.

**Cost Drivers**

**Cost Item Correlation to Revenue**

1. Lease Payments – Fixed.
2. Pre-Opening Expenses – Variable. The variation is based on the number of new locations being opened.
3. Depreciation, Amortization, & Other – Fixed.
4. Building Expenses – Fixed and Variable. Some building expenses, like property taxes and insurance, may be fixed, while others, such as maintenance costs, could vary based on usage and need.
5. Salaries & Wages – Variable. Salaries and wages are tied to the number of employees and the level of business activity.
6. Insurance – Fixed and Variable. Insurance premiums are generally fixed, but the overall insurance costs may vary based on factors such as the number of claims or changes in coverage.
7. Restructuring, Merger-Related Charges, & Other – One time or irregular, neither fixed nor variable.
8. Advertising – Variable. Advertising expenses are tied to promotional activities and vary based on the level of marketing efforts.
9. Property-Level Operating Expenses – Variable. Operating expenses at the property level, such as utilities and maintenance, are likely to vary based on the level of business activity.
10. Centralised Programs & Services – Fixed and Variable. Costs tied to specific programs or services will vary with usage.

**Company Performance**

Marriott Inc.'s financial performance for the fiscal year spanning 2021 to 2022 demonstrates a commendable trajectory, marked by a robust surge in fee revenue across diverse segments, including Owned, Leased, & Other revenue, alongside a notable escalation in Cost Reimbursement fees. Collectively, these improvements contributed to an impressive 49.9% rise in overall revenue in 2022 compared to the preceding year.

This upward momentum is distinctly mirrored in the global Revenue per Available Room (RevPAR), surging from $78.01 in 2021 to $123.30 in 2022, reflecting a substantial increment of 58%. This substantial growth underscores the company's effective revenue-generating strategies.

In tandem with this revenue surge, a comprehensive evaluation of operational expenditures reveals a notable expansion in operating expenses, except for a commendable 12.3% reduction in Depreciation, Amortization, & Other expenses. Notwithstanding the increase in costs across various operational facets, the overall operating expenses experienced a 43.0% upswing.

Despite this surge in operational costs, the overarching financial landscape remains highly favourable for Marriott Inc. The noteworthy 114.6% increase in net income underscores the company's resilience and adeptness in navigating challenges, particularly in the aftermath of the COVID-19 pandemic. This surge in net income is indicative of Marriott Inc.'s robust operational efficiency and its adept ability to generate profits, showcasing a substantial recovery from the adversities posed by the global pandemic.

**Comparison with Peers**

**Marriott Inc**

RevPAR: $110.64

Total Revenues: $20, 773 million

Total Operating Expenses: $17, 311 million

Net Income (Loss): $2, 358 million

**Hilton Worldwide Holdings**

RevPAR: $101.9

Total Revenues: $8, 773 million

Total Operating Expenses: $6, 679 million

Net Income (Loss): $1, 257 million

**Hyatt Hotels Corporation**

RevPAR: $121

Total Revenues: $5, 891 million

Total Operating Expenses: $5, 493 million

Net Income (Loss): $455 million

**Accor SA**

RevPAR: €62

Total Revenues: €4, 224 million

Total Operating Expenses: €3, 549 million

Net Income (Loss): €426 million

**InterContinental Hotels Group Plc**

Total Revenues: $3, 892 million

Total Operating Expenses: £3, 264 million

Net Income (Loss): $376 million

**Comparison:**

Revenue Performance:

Marriott Inc boasts the highest total revenues among its peers at $20,773 million.

Hilton follows with $8,773 million, Hyatt with $5,891 million, Accor with €4,224 million, and InterContinental Hotels Group with $3,892 million.

RevPAR:

Hyatt leads in RevPAR with $121, followed by Marriott Inc at $110.64. Hilton's RevPAR is $101.9, while Accor's is €62.

Profitability:

Marriott Inc exhibits the highest net income at $2,358 million, followed by Hilton with $1,257 million, Hyatt with $455 million, Accor with €426 million, and InterContinental Hotels Group with $376 million.

Operating Efficiency:

Marriott Inc's total operating expenses are the highest at $17,311 million, reflective of its larger scale. Hilton and Hyatt follow with $6,679 million and $5,493 million, respectively. Accor's operating expenses are €3,549 million, and InterContinental Hotels Group's are £3,264 million.

**Contrast:**

RevPAR Variation:

Hyatt leads in RevPAR, suggesting potential differences in pricing or market positioning compared to Marriott Inc, which follows closely behind.

Geographic Presence:

The varied geographic presence of these companies may contribute to differences in RevPAR and total revenues. Marriott Inc's extensive global footprint likely influences its higher total revenues.

Net Income Distribution:

While Marriott Inc, Hilton, and Hyatt exhibit significant net incomes, Accor and InterContinental Hotels Group report comparatively lower figures, potentially reflecting diverse market conditions and business strategies.

In summary, Marriott Inc emerges as a leader in terms of total revenues and net income, while Hyatt outshines in RevPAR. Each company's unique market position and strategic focus contribute to variations in performance across these key financial metrics.

**Johnson & Johnson Revenue and Cost Drivers**

**Revenue Drivers**

|  |  |  |  |
| --- | --- | --- | --- |
| **Sales Increase / (Decrease) due to:** | **2022** | **2021** | **2020** |
| Price | 6.9% | 12.9% | 3.5% |
| Volume | -0.8% | -0.7% | -2.3% |
| Currency | -4.8% | 1.4% | -0.6% |
| **Total** | **1.3%** | **13.6%** | **0.6%** |

An analysis of Johnson & Johnson's Sales to Customers underscores the pivotal role played by price, volume, and currency in shaping the company's financial performance. Notably, the consistent year-over-year increase in price has been a primary driver, with the most substantial surge recorded in 2022, exhibiting a notable 12.6% uptick compared to the previous year.

Conversely, the impact of volume on sales has manifested as a persistent year-over-year reduction, maintaining a relatively stable trajectory from 2021 to 2022, with each year witnessing a modest decrease ranging between 0.7% and 0.8%.

The influence of currency fluctuations has been dynamic, presenting varying effects annually. In 2022, currency fluctuations resulted in a substantial 4.8% reduction in total sales. This contrasts with 2021 when currency fluctuations contributed positively with a 1.4% increase.

Despite the fluctuations in volume and currency, the overall trend reveals a commendable increase in Sales to Customers each year. The most noteworthy surge occurred in 2021, primarily attributed to robust price increases. The aggregate impact on total sales in 2022 reflects a modest 1.3% increase, showcasing the company's resilience in sustaining growth amid nuanced market dynamics. This comprehensive analysis underscores the interplay of price, volume, and currency in influencing Johnson & Johnson's Sales to Customers, providing valuable insights into the factors shaping its financial landscape.

**Cost Drivers**

**Cost Item Correlation to Revenue**

1. Royalties – Variable. Based on sales or usage of a particular product.
2. Advertising – Variable. Tied to the level of promotional activities.
3. Shipping & Handling – Variable. Depends on the volume of products shipped.
4. Upfront Payments to Collaborative Partners - Fixed in the short term, can become variable over the long term. Variation may occur if the collaboration leads to increased production or sales. It might be fixed for a specific time or amount but variable if it is tied to performance metrics.
5. Research & Development Payments to Collaborative Partners – Variable. Tied to specific R&D projects or milestones.
6. Patents & Trademarks – Mostly Fixed.
7. Customer Relationships – Mostly Fixed.
8. Purchased In-Process Research & Development – Fixed, One-Time.
9. Restructuring – Variable. Varies according to specific actions

**Company Performance**

Johnson & Johnson has demonstrated commendable performance in the fiscal year spanning from 2021 to 2022, marked by notable advancements in its revenue streams. Across the pivotal sectors of Consumer Health, Pharmaceutical Sales, and Medical Devices, the company has experienced robust growth, registering increases of 4.1%, 14.3%, and 17.9%, respectively.

In terms of operational costs, there has been a discernible upward trend. The Cost of Sales has risen by 4.1%, indicating the impact of various factors on the company's cost structure. Conversely, Selling, Marketing, and Administrative expenses have maintained relative stability, with only a marginal uptick of 0.4%. Strategic measures, including a prudent 1.4% reduction in Research & Development costs, have contributed to enhancing overall operational efficiency.

Nonetheless, the imperative need for restructuring has led to a consequential surge of 27.3% in associated costs. These restructuring efforts aim to channel resources strategically, fostering investments in critical capabilities, technologies, and solutions essential for manufacturing and supplying the product portfolio, thereby augmenting agility, and driving growth. This has been further compounded by losses attributed to negative interest income and an augmented interest expense, resulting in a 14% decline in net income.

It is noteworthy, however, that despite the challenges encountered, the net income for the fiscal year 2022 stands at a commendable 21.9% higher than that of 2020. This underscores the resilience and strength of the company's overall operating efficiency and profitability. Johnson & Johnson's ability to navigate the complexities of the business landscape while maintaining an upward trajectory in net income reflects its robust foundation and strategic prowess.

Coupled with losses due to negative interest income and an increase in interest expense has seen net income drop by 14%.

**Peer Comparison**

**Johnson and Johnson**

* Sales: $94,943 million
* Cost of Sales: $ 31,089 million
* Research and Development: $ 14,603 million
* Net Income: $17,941 million

**Pfizer**

* Sales: $100,330 million
* Cost of Sales: $34,344 million
* Research and Development: $11,428 million
* Net Income: $31,372 million

**Merck & Co**

* Sales: $59,283 million
* Cost of Sales: $17,411 million
* Research and Development: $13,548 million
* Net Income: $5,71 million

**GlaxoSmithKline**

* Sales: $29,324 million
* Cost of Sales: $9,554 million
* Research and Development: $5,488 million
* Net Income: $15,621 million

**Comparison:**

**Sales**

Pfizer leads in total sales, followed by Johnson and Johnson. Merck & Co and GlaxoSmithKline have notably lower sales figures in comparison.

**Cost of Sales**

All companies show a proportionate relationship between sales and cost of sales, with Pfizer having the highest cost, followed by Johnson and Johnson. Merck & Co and GlaxoSmithKline demonstrate lower costs relative to their sales figures.

**Research & Development**

Johnson and Johnson allocate the highest amount to R&D, followed by Merck & Co and Pfizer. GlaxoSmithKline spends the least on research and development.

**Net Income**

Pfizer exhibits the highest net income, while Johnson and Johnson and GlaxoSmithKline follow closely. Merck & Co lags behind in net income, relative to its peers.

In summary, Pfizer outperforms its peers in terms of total sales and net income. Johnson and Johnson, although trailing Pfizer, maintains a strong position in the market with substantial sales and a balanced cost structure. Merck & Co and GlaxoSmithKline, while having lower sales figures, show diverse strategies with Merck & Co investing significantly in R&D, and GlaxoSmithKline maintaining a higher net income relative to its sales.