**Marriott Inc**

Core Revenue Streams:

Room Revenue: This is the main driver, contributing significantly to Marriott's top line. Revenue comes from room rates, which depend on factors like brand, location, seasonality, and demand. Occupancy rate also plays a crucial role, as empty rooms generate no income.

With price Average Daily Rate (ADR) is the key price metric. Marriott can increase ADR through factors like brand, location, seasonality, and dynamic pricing, boosting overall revenue. However, excessive price hikes can deter guests. With Volume, occupancy rate reflects volume. Occupancy can be improved through targeted marketing, loyalty programs, competitive pricing, and attractive packages, leading to revenue growth.

Food & Beverage (F&B): Hotels generate revenue from restaurants, bars, room service, and catering. Robust F&B offerings can increase guest satisfaction and encourage spending beyond room rates.

For price, the Menu pricing and upselling strategies influence F&B revenue. Offering curated menus, personalized recommendations, and attractive promotions can encourage higher spending per guest. In volume, increasing guest engagement with F&B through in-room dining, themed events, and convenient ordering options can drive volume growth and contribute to overall revenue.

Meeting & Event Spaces: Conference rooms, ballrooms, and other event spaces can be rented out for meetings, weddings, conferences, and other gatherings. This segment can be particularly lucrative, especially for hotels catering to business travellers.

In price rental fees and catering packages determine income. Optimizing pricing based on event size, duration, and seasonality can maximize revenue. Offering flexible packages and add-on services can further boost income. In Volume attracting more events through targeted marketing, competitive pricing, and partnerships with event organizers can improve occupancy and generate higher revenue.

Ancillary Services: Additional services like spa treatments, fitness centre access, parking, and internet access contribute to overall revenue. Well-chosen ancillary services can enhance guest experience and drive incremental income.

Pricing strategies for spa treatments, fitness center access, parking, and internet access impact revenue. Competitive pricing and bundling options can encourage guest utilization and increase income. For volume, promoting awareness and convenience of ancillary services can drive utilization and contribute to overall revenue growth. Partnering with local attractions or offering special experiences can further increase engagement.

Additional Revenue Drivers:

Loyalty Programs: Marriot Bonvoy, their loyalty program, incentivizes repeat stays and generates revenue through points redemption for hotel stays, flights, and merchandise.

Direct Bookings: Encouraging guests to book directly through Marriott's website or app reduces reliance on third-party booking platforms and increases profitability.

Dynamic Pricing: Utilizing revenue management systems to adjust room rates based on real-time demand can optimize revenue generation.

Brand Portfolio: Offering a diverse range of brands across different price points and target markets caters to a wider audience and expands revenue potential.

For sustainable growth, while price increases can provide short-term boosts, a balanced approach emphasizing volume growth through guest satisfaction, loyalty programs, and targeted marketing is crucial for long-term sustainability. Utilize data and technology to adjust pricing for rooms, F&B, and other services based on real-time demand and guest preferences. This optimizes revenue while remaining competitive. Tailor pricing, promotions, and service offerings to individual guest preferences and needs. This fosters loyalty and encourages higher spending. Look into expanding into new markets, developing innovative ancillary services, and partnering with strategic players to drive volume growth and diversify revenue streams.

Major Cost Categories:

Property Operating Expenses: These include salaries and wages for hotel staff, maintenance and repairs, housekeeping, utilities, supplies, and other running costs of the hotels.

Franchise & Management Fees: As Marriott operates under both franchise and management models, fees paid to franchisees or for managing hotels owned by others represent a significant cost.

Marketing & Distribution: Expenses related to advertising, travel agent commissions, online booking platforms, and loyalty program rewards can be substantial.

Debt Service: Interest payments on loans and other debt instruments can impact profitability.

Additional Cost Drivers:

Renovations & Expansions: Maintaining and upgrading hotel properties requires ongoing investment, impacting short-term profitability.

Guest Acquisition Costs: Attracting new guests through marketing campaigns and loyalty programs can be expensive.

Economic Factors: Fluctuations in economic conditions and travel trends can negatively impact occupancy rates and room rates, affecting revenue.

Competition: Intense competition in the hospitality industry requires Marriott to invest in maintaining competitiveness and differentiation.

Fixed Costs

Property Leases or Mortgages there are fixed payments for rented or owned hotels, regardless of occupancy or revenue. In Management Fees there are fixed fees paid to franchisees or for managing hotels owned by others. Corporate Overhead: Salaries, administrative expenses, and IT costs remain relatively constant irrespective of revenue fluctuations. Marketing & Sales Base Costs thee are base salaries and overhead for marketing and sales teams are generally fixed, though variable components like advertising commissions may exist.

Variable Costs:

Direct Operating Costs with Expenses like housekeeping, utilities, laundry, and maintenance vary directly with room occupancy and guest activity. Food & Beverage (F&B) Costs are variable as Costs of ingredients, supplies, and labour for F&B services scale with guest consumption. Event-Related Costs with staff, catering, and equipment expenses directly vary with the number and type of events hosted. Commissioned Sales costs like travel agent commissions or online booking platform fees are directly tied to revenue generated through those channels.

Mixed Costs:

Marketing & Sales Campaign Expenses: While base marketing costs are fixed, specific campaigns and advertising spending directly impact revenue generation. Staffing Costs, While base salaries are fixed, overtime pay or temporary staff costs can vary with activity levels. Energy Consumption, while utility bills can have fixed components like service charges and variable components based on actual usage

With fixed costs the indirect correlation, as they remain constant regardless of revenue fluctuations, however they can significantly impact profit margins, as higher revenue spreads fixed costs over a larger base, improving profitability. Variable costs there is direct correlation as they rise or fall in proportion to revenue. Managing variable costs efficiently is crucial for maintaining healthy profit margins. Mixed costs there are varying degrees of correlation depending on the fixed and variable components. Understanding these components allows for better cost control and resource allocation.

**Johnson & Johnson**

3 main revenue streams: Pharmaceuticals, medical devices and consumer health.

Pharmaceuticals

Speciality medicines: Drugs like Darzalex (multiple myeloma) and Imbruvica are high priced and generate significant revenue.

Oncology Drugs: This rapidly growing market offers immense potential with J&J developing numerous cancer treatments in the pipeline.

Johnson and Johnson has historically relied on price increases, particularly for its speciality medicines, to drive revenue growth. The strategy can be effective however it faces increasing scrutiny due to rising healthcare costs and value-based purchasing models. The volume growth comes from increasing market share, launching new drugs and expanding into new markets. J&J’s strong pipeline of innovative drugs and focus on emerging markets provide promising avenues for volume growth.

Medical Devices

Surgical Devices: Products like knee and hip replacements, along with surgical instruments, are in high demand due to aging populations.

Minimally invasive procedures: Robotics and other minimally invasive surgery tools offer faster recovery times and are gaining popularity, driving demand.

Emerging markets: similar to pharmaceuticals, expanding into countries with growing healthcare infrastructure present significant opportunities.

For medical devices it is similar to pharmaceuticals with rice increases in devises like surgical instruments have contributed to revenue growth however, cost pressures within healthcare systems limit this strategy long-term viability. The volume growth in medical devises depends on factors like increased surgical procedures, adoption of new technologies and market penetration in emerging markets, Johnson’s and Johnson focus on minimally invasive procedures and robotics presents valuable opportunities.

Consumer Health

Over-the-counter Products: Popular brand like Tylenol, Motrin, and Band-Aid are household staples and generate consistent revenue.

Beauty Products; Neutrogena, Aveeno, and OGX are well-established brands in the global skincare and haircare markets.

Emerging Markets: Expanding distribution channels and brand awareness in developing countries offer growth potential.

Price increases in the consumer health segment are typically more modest in pharmaceuticals or medical decides due to intense competition and value conscious consumers. The volume growth here relies on brand awareness, product innovation and distribution expansion. Johnson and Johnson established brands and focus on developing new OTC and beauty products offer strong potential.

With price increases, while effective in the short term, relying solely on price hikes can alienate customers and attract regulatory scrutiny. Johnson and Johnson needs to balance price strategies with volume growth initiatives to ensure sustainable revenue growth. Increasing volume through market share gain new product launches and geographic expansion offers a more viable long-term growth strategy. Johnson and Johnson investments into R&D, emerging markets and innovative technologies show the right direction For growth Johnson and Johnson should aim for a balance between price and volume growth, leveraging strategic price adjustments alongside initiative to drive organic volume expansion. This ensures both short term and financial performance and long term market competitiveness.

**Cost Drivers**

Research & Development (R&D): Developing new drugs and medical devices is expensive, requiring significant investments in clinical trials, scientist and technology.

Manufacturing & Distribution: Maintaining efficient production facilities and complex distribution networks involves substantial costs.

Marketing and Sales: Promoting brands and reaching healthcare professionals and consumers requires significant marketing and sales expenditure.

Regulatory compliance: Navigating strict regulations in the healthcare industry adds to operational costs.

Legal issues: Potential lawsuits related to product liability or other legal matters can be financially draining.

Fixed Costs/variables

Research & Development is primarily fixed, as substantial investments in labs, equipment, and salaries are incurred regardless of revenue fluctuations.

Manufacturing Overhead has fixed costs like facility maintenance, depreciation, and property taxes remain stable even if production levels change.

Marketing & Sales you have base salaries and overhead for marketing and sales teams are often fixed, though variable components like advertising and commissions may exist.

Regulatory Compliance costs associated with meeting regulatory requirements are generally fixed, involving ongoing audits and documentation.

General & Administrative expenses has fixed costs like executive salaries, rent, and utilities remain relatively constant.

Variable Costs/variables:

The direct material costs of raw materials and components used in manufacturing vary directly with production volumes.

Direct labour wages for production workers typically increase as production output rises.

Sales commissions is often tied to sales volumes, creating a direct correlation with revenue.

Distribution costs like Shipping and handling expenses often vary with the number of units shipped.

Mixed Costs/variables:

There are manufacturing utilities, while some utility costs are fixed, others like electricity and water can increase with higher production levels.Marketing expenses base costs for marketing teams are fixed, but variable expenses like advertising and promotional campaigns fluctuate with revenue targets. Research & Development contains certain costs, like clinical trial expenses, can vary depending on the number of trials in progress.

Correlation with Revenue:

For Fixed Costs, indirect correlation as they remain relatively constant regardless of revenue changes. However, they can impact profit margins significantly, as higher revenue spreads fixed costs over a larger base, improving profitability. Variable Costs there is direct correlation as they increase or decrease in proportion to revenue. Managing variable costs efficiently is crucial for maintaining healthy profit margins.

Management Insights:

To leverage fixed costs J&J can maximize profitability by increasing revenue while keeping fixed costs relatively stable. This spreads fixed costs over a larger revenue base, improving margins. Control Variable costs are carefully managing variable costs can help protect profit margins, especially during periods of revenue decline or slow growth.

Understanding the fixed and variable components of mixed costs allows for better cost control and resource allocation. For operating leverage by increasing the proportion of fixed costs to variable costs, J&J can magnify the impact of revenue growth on profits. However, this also increases risk in periods of revenue decline.