Marriott

* Marriott Inc is primarily a hotel brand so revenue from Management fees from hotels comes from a fixed percentage of the total revenue that each hotel receives.
* Marriot has a Credit Card program so credit card fees and credit card spend amount for some revenue towards Marriott.
* Global Design Fees, when a new hotel is designed under the Marriott name then Marriott receives a fee.
* Services rendered mainly include the extra services in a hotel and/or the basic fee that a guest pays when it stays at a hotel.
* Vacation Ownership licensing agreements include properties that aren’t hotels but include yachts and longer stay properties that people rent out when they are on vacation.
* Franchised and Licensed properties include the Luxury, Premium, Select and longer stay hotels of the Marriott brand. All the revenue that is produced from these properties goes towards Marriott.
* Cost Reimbursement Revenue is when Marriott pays for an expense that is unusual and they receive the revenue back later usually with interest added.
* Capital investments such as building new hotels.
* Internet Booking costs, such as fees associated with third party providers.
* Exchange rate fluctuations leading to a weaker dollar meaning that less dollars are returned from revenue.
* Hiring costs such as loss of senior executives meaning that new leaders must be hired, the costs associated with the process of hiring.
* Extreme weather can cause damage to buildings, and if the weather is systematic in an area, then the overall insurance can go up.
* If the websites are down, then costs are increased to fix the websites.
* CAPEX standard costs for a business
* Advertising costs increase if the business is down in a particular area or country due to factors such as war or famine.

Marriott’s revenue breaks down:

In 2022 It received base management fees, Franchise fees and incentive management fees.

Its Base Management fee (in millions USD) was $1,044.

Its Base management fee percentage is 3%

Therefore, it’s base management revenue was $1,044 \*100 divided by 3. = $34,800 or 34.8 billion USD.

Its Incentive management fee (in millions USD) was $529.

Its incentive management fee percentage is 20%.

Therefore, its incentive management revenue was $529 \*5=$2,645 or 2.645 billion USD.

Its Franchise Management fee percentage is 4% to 7% of room revenues for all brands. Plus 2% to 3% of food and beverage revenues. For certain brands.

Its Franchise Management fee (in millions USD) was $2,505.

Therefore, its Franchise Management revenue was $2,505 \* 100 divided by 5.5. = $45,545 or 45.545 billion USD. This is assuming Franchise management fee mean percentage of 5.5 ((7+4)/2).

* **All in Millions USD**

In 2021 Base management fee was $669, Franchise fee was $1,790 and Incentive management fee was $235.

Gross fee revenues of the three variables were $4,078 in 2022 and $2,694 in 2021.

This is growth of 51.37%.

* Base Management fee grew by 56.05%.
* Incentive Management fee grew by 125.11%
* Franchise Management fee grew by 39.94%

Correlation of cost drivers with revenue.

In 2022 Marriott had operating costs and expenses. (All in millions)

* Owned costs of $1,074
* Depreciation and amortization of $193
* General administrative and other of $891
* Restructuring of $12
* Reimbursed expenses of $15,141

In 2021 Marriott had operating cost and expenses. (All values in millions)

* Owned costs of $734
* Depreciation and amortization of $220
* General administrative and other of $823
* Restructuring of $8
* Reimbursed expenses of $10,322

The percentage change in these values between 2021 and 2022 is:

Owned, 46.32%

Depreciation, -12.27%

General, 8.26%

Restructuring, 50%

Reimbursed, 46.69%

Overall costs in 2022 were $17,311 and $12,107 in 2021.

Overall revenues in 2022 were $20,773 and $13,857 in 2021.

Costs grew by 42.98%

Revenues grew by 49.91%

These values are within the same 10% bracket.

Moreover, the Base management fee grew by 56.05% and owned costs grew by 46.32. These values show strong positive correlation.

The variable of cost varies based on external factors, as identified in Cost Drivers. Such as extreme weather and plague, this influences depreciation and amortization. For example, the Covid-19 pandemic was reducing between 2021 and 2022, therefore, Depreciation decreased by 12.27% in those years.

Another variable cost is exchange rate fluctuations, in 2022 the US dollar was stronger than it was in 2021 in “late September 2022 the index reached a recent all time high of 128.32… this represented a major jump from the end of 2021 when the index value was 115.40”. (usbank.com, 2023)

Therefore, reimbursed expenses increased by 46.69%.

Marriott Inc’s Peer’s and Performance considering revenue and cost drivers.

Marriott’s main peer’s include Hilton, Oriental Land and Las Vegas Sands.

To measure performance, we will look at the financial metric of revenue growth.

Between 2021 and 2022 revenue growth for Marriott was 49.91%.

Between 2021 and 2022 it was 31.09%.

The smaller growth in 2021 compared to 2022 may be mitigated due to the macro variable cost driver of the Covid Pandemic. Moreover, the revenue drivers would be decreased as spend was less. Furthermore, people would be made redundant so they would be less likely to do things like have a credit card and spend on it, as they wouldn’t be able to afford one.

So, credit card fees would reduce.

For Hilton

* Its revenue growth was 51.57% in 2022 and 34.39% in 2021. (hilton.com, 2023)

For Oriental Land

* Its revenue growth was 75.22% in 2022 and 61.64% in 2021. (2023)

For Las Vegas Sands

* Its revenue growth was -2.93% in 2022 and 44.01% in 2021 (macrotrends.net, 2024)

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