**Introduction**

An overview of the revenue and the cost drivers of Marriot Inc, a worldwide operator, franchisor and licensor of hotel, residential, timeshare and other lodging properties.

Also, the revenue and the cost drivers of Johnson & Johnson, a Pharmaceutical, Consumer Health and MedTech company.

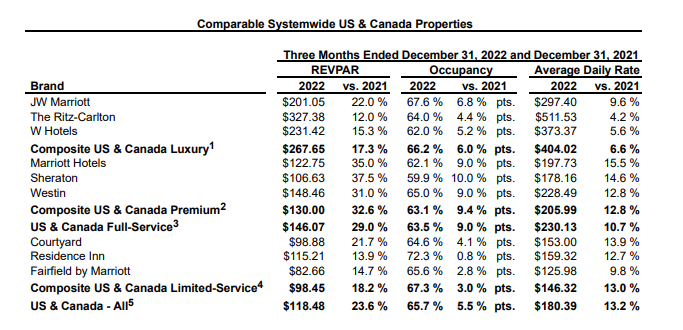
* **Marriott Inc**

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| Revenue Drivers | Cost Drivers |
| **Owned and Leased Hotel Revenue:** The primary source of revenue comes room booking across its various hotel brands and properties. Also, is the other ancillary service such as food and beverage revenue, meetings and events revenue and revenue from timeshare.  **Management Fees:** Fees earned for managing hotel owned by third parties.  **Franchise Fee:** Income from licensing its brand and providing support services.  **Other revenue such as global design and termination fees** | * **Labor Costs** * **Property Maintenance** * **Utilities** * **Marketing and Sales** * **Franchise support** * **Technology Infrastructure** |

Revenue is driven as RevPAR \* No. Rooms where,

RevPAR is the function of ADR (price impact) \* Occupancy (volume impact)

Note that for each of the segments, North America (full service, limited service), APAC and Other international, RevPAR, Room count Occupancy and ADR are reported by the company. These will be forecasted based on historical trend analysis.



Large portion of Marriot’s cost is the reimbursed expenses which is directly related to reimbursed revenue. Management and franchise related operating expenses will have be derived as a % of revenue.

* **Johnson & Johnson**

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| Revenue Drivers | Cost Divers |
| * **Pharmaceutical Sales** * **Medical Devices** * **Consumer Health** * **Vaccines** | * **Research and Development** * **Manufacturing and Production** * **Regulatory Compliance** * **Marketing and Sales** * **Distribution and Supply Chain** |

Each of the three segments, Consumer, Pharmaceuticals and Medical Devices have sub segments with product lines like Remicade, Darzalex , Stelara and Tremfya  or Surgery, Orthopaedics and Intervention solutions. All of these lines have US & International sales. US revenue can be driven by annual growth rates, international revenue growth has two components, organic growth and currency impact.

Cost Drivers – as % of revenue (trend analysis)

* Selling, Marketing and Administrative Expenses
* Research and Development Expenses
* In-process research and development
* Cost of products sold

**BREAKDOWN OF REVENUE INTO PRICE VOLUME DATA**

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| **Marriott Inc.**  **Price-Volume Relationship** | |
| Price Increase (Positive):An increase in room rate or higher prices for services can lead to higher revenue per room booked. This will contribute to revenue growth.  Price Decrease (Negative): A decrease in room rates could attract more guests, which increases room occupancy. This will affect revenue growth. | Volume Increase (Positive):   * Higher Occupancy * More events and meetings * Increased franchise and management fees   Volume Decrease (Negative):   * Lower occupancy * Decreased events and meetings * Fewer franchise and management fees |

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| **Johnson & Johnson.**  **Price-Volume Relationship** | |
| **Price Increase (Positive):** High pricing on pharmaceuticals, medical devices and consumer products would directly lead to increased revenue.  **Price Decrease (Negative):** Lower prices could attract more customers, leading to high sales volume but with reduced revenue. | **Volume Increase (Positive):**   * Higher Pharmaceutical Sales * Greater Medical Device Sales * Rising Consumer Health Sales   **Volume Decrease (Negative):**   * Lower Pharmaceutical Sales * Decline in Medical Device Sales * Decreased Consumer Health Sales |

**COST DRIVERS CORRELATION WITH REVENUE**

**Marriott Inc**

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| Cost Driver | Correlation with Revenue | Factors Affecting Variability |
| Labor Costs | Variable cost | It can vary based on factors such as occupancy rate, seasonality and the level of service demand. |
| Property Maintenance | Variable cost | This can vary based on occupancy, wear and tear, property size and renovation cycles. More guests and longer stays can increase maintenance needs. |
| Utilities | Variable cost | It can vary based on occupancy rates, seasonality and usage of facilities like heating, cooling, lighting and water. High occupancy and increased facility use lead to higher utilities expenses. |
| Marketing and Sales | Variable cost | It varies based on the level of promotions, campaigns, and marketing efforts aimed at attracting guests. |
| Franchise Support | Fixed and variable cost | The base level maybe relatively fixed, but it can also vary based on the number of franchised properties. |
| Technology Infrastructure | Variable cost | Level of technology investment can vary based on advancement in hotel systems, keep up with guest expectations and guest experiences. |

**Johnson & Johnson**

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| Cost Driver | Correlation with Revenue | Factors Affecting Variability |
| Research and Development | Variable cost | It can vary based on the scope of new product development, clinical trials, regulatory requirements, and innovation efforts. |
| Manufacturing and Production | Variable cost | It fluctuates based on production volumes, scale of operations and production complexity. |
| Regulatory Compliance | Fixed cost | It is generally fixed and relate to maintaining compliance with healthcare regulations |
| Marketing and Sales | Variable cost | This can vary based b the level of promotional activities, marketing campaigns, and sales efforts |
| Distribution and Supply Chain | Variable cost | It can vary based on the volume of products sold, distribution network complexity, transportation costs and inventory management |

**PERFORMANCE OF COMPANY**

Marriott Inc.

There is indication of strong growth/ increase in revenue from 2020, 2021, and 2022 financial year. It indicates a healthy customer base and market demand. Revenue drivers such as management fees and franchise fee has a significant increase which indicates a diversified stream of revenue is yielding benefit to the company. Furthermore, continuous revenue growth will indicate the company is gaining market share and effectively competing. This will positively impact on customer’s experience, loyalty and brand strength.

The cost driver shows an increase over the year 2020, 2021, 2021. This is ascribed to the reimbursed expenses which was high in 2022 compared to previous years. Under the management and franchise agreements, Marriott operate certain programs for hotel owners and franchise which they incur expenses for and will be reimbursed.

Johnson & Johnson

There is an increase in revenue on year to year basis. This indicate the revenue drivers are yielding positive results. Furthermore, the cost drivers are increasing on year to year basis which is not too significant. This could be ascribed to variability affecting the cost drivers.

**COMPARISON OF PEER PERFORMANCE**

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| **Marriott Inc Peer** | **Johnson & Johnson Peer** |
| Hilton  Being in the hospitality business and having similar revenue drivers, an increase in the revenue on year to year basis was observed. Hilton understand the revenue drivers and factors that will hinder/reduce the revenue. On the cost drivers, adoption of techniques to ensure efficiency of its cost is observed. | Moderna Inc  Despite having a slow revenue growth, the cost is quite high in year 2022 compared to 2021. This could be ascribed to the research and development of its mRNA vaccines. |