**Revenue and Cost Drivers’ Analysis**

**Marriott Inc. for FY2022 and FY2023**

**Revenue Drivers**

Marriott Inc. is a global player in the hospitality sector. It has different lines of business where it generates its revenue, these are:

1. Base Management and Incentive Management Fees,
2. Royalty and Franchise Fees,
3. Owned, Leased, and other Revenue,
4. And Cost Reimbursement Revenue.

Marriott receives base management fees for granting its hotels a license to use its brand names and for delivering hotel management services—and incentive management fees, which often depend on a gauge of hotel profitability. The base management and incentive management fees generated for FY22 and FY23 are approximately 5 percent of total revenue. The first application fees that Marriott receives to market its brand to prospective hotel operators worldwide are franchise and royalty payments. These operators pay it as a royalty each year for using its name. The provision of lodging and other services to guests generates revenue for both owned and leased hotels. Other revenue consists of termination fees, other property and brand earnings, and global design fees. Revenue generated from cost reimbursement is 74% and 73% respectively for FY22 and FY23. The cost reimbursement accounts for the majority of revenue. It is the reimbursement of expenses that Marriott's hotel management incurs and receives from the operator of that particular hotel, without any additional markup. Payroll and other operating costs at managed properties make up the majority of it. There is growth in revenue as total revenue is $20.773 billion in 2022 and $23.713 billion in 2023. However, with the cost reimbursement component removed, Marriott Inc.'s operational revenue comes to a total of $5.445 billion in 2022 and $6.388 billion in 2023, it increased by $0.943 billion in 2023. Even while the annual revenue increased, excluding reimbursements, is remarkable. This shows how competitive the global hotel sector is and how hard it is to generate larger revenue from its operations.

**Operating Cost Drivers**

Marriott Inc. has four significant cost and expenditure drivers;

1. Owned, leased, other hotel expenses,
2. Depreciation and amortization,
3. General administrative,
4. Reimbursement expenses.

Costs associated with providing services to guests worldwide are the basis of expenditures for both owned and leased hotels. Depreciation represents the non-cash flow accounting charge associated with the deterioration of its non-current assets, whereas general administrative expenses are related to the cost of the higher management that oversees these hotels globally. Payroll costs for employees who work for each hotel separately and are in charge of ensuring that each hotel runs well make up the majority of reimbursement costs. In franchised hotels, it also includes the cost of providing lodging and other auxiliary services to visitors. Reimbursement expenses were $15.141 billion in 2022 and $17.424 billion in 2023. This accounts for approximately 87% of total costs in 2022 and 2023. The cost reimbursement revenue and reimbursement expenses are approximately or almost equal. This negates its impact on both gross and net profits. Without including this variable (reimbursement expenses) the total cost increased from $2.17 billion in 2022 to $2.425 billion in 2023. Lastly, the firm also incurred Merger-related charges during the merger.

Figure 1: Revenue/cost Drivers of Marriott Inc.

The revenue drivers represented in Figure 1 are for two years which are

* 1- Base management fees
* 2- Franchise fees
* 3- Incentive management fees
* 4- Owned, leased, and other revenue
* 5- Cost reimbursement revenue

Figure 2: cost drivers of Marriott Inc. in billion dollars

**Peers Operational Analysis**

Marriott Inc. engages in fierce competition with its rivals in the hotel industry, Hyatt Hotels, and Hilton Worldwide are its peers. The base management fees of Marriott ($1.238 billion) in 2023 are more than those of Hilton Worldwide ($0.342 billion) and Hyatt Hotels ($0.985 billion). Also, the cost reimbursements from managed properties of Hilton Worldwide and Hyatt Hotels, are approximately 71% and 83% respectively less than Marriott's, Hilton. In 2023 Hyatt Hotels and Hilton Worldwide's total revenue are $6.7 billion and $10 billion respectively and the percentage of cost reimbursements from managed properties on total revenue are about 46% and 57% respectively. Similarly, Marriott Inc. peers (Hilton Worldwide and Hyatt Hotels) have lower reimbursement expenses to total cost compared to Marriott Inc. which has 87% reimbursement expenses to total cost. Thus, Marriott ranked first with 73% of cost reimbursements, followed by Hilton with 57% and Hyatt with 46%.

**Johnson & Johnson for FY2022 and FY2023**

**Revenue Drivers**

Johnson & Johnson Inc. is a pharmaceutical company in the healthcare sector with sales all across the world. The company's revenue is derived from these primary segments:

1. Innovative Medicine segment
2. MedTech Segment.

With operational growth of 4.8% and a negative currency impact of 0.6%, the Innovative Medicine segment's revenues in 2023 increased by 4.2% to $54.8 billion from 2022. Sales in the United States increased by 9.0% to $31.2 billion. With an operational decline of 0.2% and a negative currency impact of 1.3%, international sales came in at $23.6 billion, a 1.5% decline. Acquisitions and divestitures had a net adverse effect on the operational sales growth of the global Innovative Medicine segment in 2023 of 0.1%. Sales for the MedTech segment reached $30.4 billion in 2023, an increase of 10.8% from 2022. This gain was due to operational expansion of 12.4% and a 1.6% negative currency impact. Sales in the United States reached $15.3 billion, a 14.2% rise over the previous year. With operational growth of 10.6% and a 2.9% negative currency impact, international sales increased to $15.1 billion, a 7.7% increase from the previous year. The acquisition of Abiomed was the main factor contributing to the net positive 4.6% growth in operational sales growth of the MedTech segment globally in 2023, as a result of acquisitions and divestitures.

**Operating Cost Drivers**

The operational costs for the company are

1. Cost for goods sold,
2. Selling, Marketing, and Administrative,
3. Research and Development**.**

The cost of goods sold in 2023 is $26.553 billion from $24.596 billion in 2022, a decrease of $1.957 billion. The cost of goods sold constituted about 31% of total sales. The increase in the cost of products sold as a percent of sales is driven by an unfavourable product mix, commodity inflation, Abiomed amortization, and restructuring-related excess inventory costs in the MedTech business segment is counterweight by lower one-time COVID-19 vaccine manufacturing-related exit costs in 2023 and favourable patient mix in the Innovative Medicine business. Intangible asset amortization expense in Innovative Medicine increased to $4.5 billion and $3.9 billion for fiscal years 2023 and 2022. Leveraging in Selling and Marketing expenses from both Innovative Medicine and MedTech the company somewhat offset an increase in administrative costs, which resulted in a small decrease in selling, marketing, and administrative expenses as a percentage of sales. The total research and development expense for 2023 is $15.085 billion 17.7 % of total sales. And $14.135 billion in 2022 17.7 % of total sales. Innovative Medicine has total research and development expenses of $11.963 billion (21.8 % of sales) and $11.642 billion (22.1 % of sales) for 2023 and 2022 respectively. Furthermore, the research and development expense for MedTech is $3.122 billion (10.3% of sales) and $2,493 billion (9.1% of sales) for 2023 and 2022 respectively.

Figure 3: cost drivers of Johnson & Johnson in billion dollars

Figure 4: cost drivers of Johnson & Johnson in billion dollars

**Peers Operational Analysis**

Given that Johnson and Johnson competes in a more competitive and dominant worldwide market than Marriott Inc., this firm confronts even more rivalry from its peers. Worldwide demand for healthcare products necessitates ongoing operational expenditures. Pfizer and Merck & Co. are its competitors. In terms of revenue, Johnson and Johnson beats competitors with total revenue of $85.159 billion in 2023, while Merck & Co. and Pfizer have total sales revenue of $60.115 billion and $58.496 billion, respectively, in 2023. During the heat of Covid 19, Merck produced vaccinations and later found out that the immune responses to their two booster doses were not as strong as those of the other firms, so the firm merged with Johnson to create Johnson's COVID-19 vaccines.

**Company Performance in the Light of Revenue and Cost Drivers**

**Marriott Inc.**

Performance in Light of Revenue and Cost Drivers

Marriott's total revenue rose to $23.713 billion in 2023 from $20.773 billion in 2022, showing a strong upward trend. Cost reimbursement revenue, a significant portion at 73%-74%, reflects Marriott’s scale in managing third-party hotel operations, with a low direct profitability impact. Excluding this, operational revenue grew by $0.943 billion, indicating growth in brand licensing, franchise, and owned properties. Costs, especially reimbursement expenses, almost equal their revenue counterpart, leaving a larger emphasis on managing core operational expenses to sustain profitability.

**Johnson & Johnson**

Performance in Light of Revenue and Cost Drivers

Johnson & Johnson's Innovative Medicine and MedTech segments saw revenue growth of 4.2% and 10.8% in 2023, respectively. Increases in research and development (R&D), particularly within the Innovative Medicine segment, point to a strong focus on product innovation. The cost of goods sold grew by $1.957 billion from 2022 to 2023, partly due to inflation and product mix changes. Despite higher R&D and cost of sales, operational growth shows resilience, but profit margins face pressure due to growing costs, particularly from acquisitions and development-related investments.