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.

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.



* 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.
* 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.

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 2020 and 2021 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)

Johnson & Johnson

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.

* Johnson & Johnson (or JNJ) is a pharmaceutical and medical technologies company.
* When it develops a new patent from research then whenever another company uses that patent JNJ receives revenue
* This patent technology is related to developments in new technologies and products.
* JNJ’s products are sold at wholesalers around the world. Whenever a wholesaler purchases batches of JNJ products then JNJ receives revenue.
* The Obama administration introduced Medicare which is driving forward an NHS style free at point of care service. Managed Care is a service that JNJ provides and receives revenue from the Central government for those services.
* Recently JNJ acquired MedTech which results in 1 billion USD revenue for JNJ (investor.jnj.com, 2023)

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
* Whenever JNJ embarks upon a new strategic initiative or there is a variable factor such as war, then they must change their strategy. Therefore, this change carries a cost.
* Due to the Biden administrations push to ‘beat big pharma’ (Guardian, 2022), JNJ has been under pressure to reduce its final sale value to customers.
* War and Covid-19 have impacted supply chains due to things being shut down.
* Regulation leads to costs.
* Whenever JNJ acquires a new product then there are legal costs
* Failures from third party providers leads to time delay costs.
* Covid-19 provided some opportunities but also huge uncertainty which led to more cost.
* Whenever a customer has a bad experience then JNJ’s reputation gets damaged and there is loss of sales.
* If their reputation gets damaged, then credit rating also goes down. So, borrowing rates also go up.
* If depreciation capital increases, then there is an increased cost.
* Advertising leads to more costs due in part of inflation.
* Tax increases lead to more cost.

Correlation of cost drivers with revenue

In 2023 and 2022 JNJ had operating costs and expenses and sales (all in millions USD)

2023 Reported sales were $85,159

2022 Reported sales were $79,990

This is a growth of 6.5%

2023 Cost of products sold $26,553

2022 Cost of products sold $24,596

This is a growth of 7.96%

**Selling, marketing and administrative expenses**

2023 $21,512

2022 $20,246

Growth of 6.25%

**Research and development expense.**

2023 $15,085

2022 $14,135

Growth of 6.72%

Overall sales grew by 6.5%

Overall costs and expenses grew by 7.08%

Johnson & Johnson Peer’s and Performance considering revenue and cost drivers.

JNJ’s main peers include, Pfizer, Glaxo Smith Kline (GSK) and Merck and Co.

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

Between 2022 and 2023 revenue growth for JNJ was 6.5% whereas, costs and expenses grew by 7.08%.

The smaller sales metric of revenue growth compared to costs can be attributed to more cost drivers. Such as the Russia-Ukraine war. This means that less products were sold in the Europe/Asia market.

* For Pfizer revenue growth in 2022/2021 was 23% and 95% in 2021/2020 (pfizer.com, 2022)
* For GSK revenue growth in 12 months ending September 2023 was -24.89% and -22.68% in 2022/2021 (www.macrotrends.net, 2024)
* For Merck and Co. revenue growth in 12 months ending September 2023 was 0.58% and 21.72% in 2022/2021 (www.macrotrends.net, 2024)

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