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# Marriott International – 2015

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## A. Case Abstract

Marriott International is the largest hotel company in the world with more than 4,100 properties in over 80 countries and territories around the world, over 700,000 rooms, and an additional 200,000 rooms in the development pipeline. In June 2014, Marriott opened their 4,000th hotel, and opened its 4,200 property in the summer of 2015. The majority of rooms and properties are franchised out, with 2,673 franchised properties containing a total of 360,451 rooms. About 1,057 Marriott properties with 283,029 rooms are company-owned with long-term management agreements. In total, about 97 percent of all Marriott rooms are either managed or franchised, as the company is opposed to owning hotels outright.

## B. Vision Statement (proposed)

To be the leading provider of lodging services globally.

## C. Mission Statement (proposed)

We strive to serve individuals, couples, families, and groups (1) of all economic strata (7) with quality lodging and hospitality services (2) across the world (3) at affordable price points that exemplify quality (5). We believe good ethics is good business (6) and value both our employees (9), customers, and communities in which we operate (8). We use the latest technology (4) to make our guests' stay as convenient as possible. (61 words)

1. Customers
2. Products or services
3. Markets
4. Technology
5. Concern for survival, growth, and profitability
6. Philosophy
7. Self-concept
8. Concern for public image
9. Concern for employees

## **D. External Audit**

### **Opportunities**

1. International tourists to the US have increased over 100% in the last 20 years and are expected to increase another 65% by 2030.
2. Asia and Africa had an average annual growth in international tourism of 6.2% from 2005-2013.
3. Luxury demand worldwide continues to be the strongest segment.
4. Leisure destinations in the US also experienced strong demand in 2013 and 2014.
5. Africa is a strategic focus for many hotels moving forward, citing the continent's growing middle class and higher growth rates than the USA.
6. Hotels are rapidly developing smartphone apps to help speed up check-in for travelers, including letting customers go straight to their rooms using their phone to unlock doors.
7. In China and India, branded penetration can be as low as 20% of the total rooms available. Analysts expect a great increase in branded penetration in developing markets such as China and India moving forward, as customers become more affluent, have increased disposable income, and are able to travel more.
8. Many consumers prefer particular brands, being assured generally of better security and consistency from one hotel to another of the same brand.
9. Hotels located in urban areas and airports tend to have higher occupancy rates than other areas.
10. Asia, Middle East, and Africa (AMEA) enjoyed an overall RevPAR of 6.1%.

### **Threats**

1. Increasingly customers are searching travel sites and booking rooms or changing their reservations minutes before their scheduled arrival in order to book the cheapest room.
2. Many rival hotels are staying the course with traveler-friendly cancellation policies.
3. In November 2014, Starwood Hotels and Resorts (HOT) became the first hotel to let guests unlock doors with their phones; Hilton will soon offer this feature at its hotels.
4. Growth in the Eurozone lagged many other global regions with industry-wide RevPAR of only 3.2% in 2013 with hotel rooms available increasing only 0.9%.
5. 72% of hotels currently being developed belong to major hotel companies.
6. Currently many emerging markets are struggling and the strong dollar hurts overseas sales that are converted back to dollars.
7. Stronger dollar also hurts tourism to the US from Europeans and other travelers with disposable income.
8. Starwood is expanding its footprint with both management and franchise contracts; it doubled its international footprint between 2008 and 2013.
9. The hotel industry in China experienced a similar pattern as India in 2013, with an increase in available hotel rooms of 4.6% resulting in prices dropping 3.1% and total RevPAR falling 4.2%.
10. Airbnb and VRBO are viable competitors now where businesses and individuals alike rent out their own homes and rental properties to consumers.

## Competitive Profile Matrix

<b>Critical Success Factors</b>	<b>Weight</b>	<b>Marriott</b>		<b>Hilton</b>		<b>Starwood</b>	
		<b>Rating</b>	<b>Score</b>	<b>Rating</b>	<b>Score</b>	<b>Rating</b>	<b>Score</b>
Total Number of Rooms	0.12	4	0.48	3	0.36	1	0.12
Revenues	0.12	4	0.48	3	0.36	2	0.24
Net Income	0.12	4	0.48	3	0.36	2	0.24
Smart Phone Entry Into Rooms	0.02	1	0.02	2	0.04	4	0.08
Global Expansion	0.09	4	0.36	3	0.27	2	0.18
Cancellation Policy	0.03	1	0.03	2	0.06	4	0.12
Luxury Hotel Market Share	0.12	4	0.48	3	0.36	2	0.24
Limited Service Market Share	0.08	4	0.32	2	0.16	3	0.24
Product Quality	0.09	4	0.36	3	0.27	2	0.18
Debt Ratio	0.05	1	0.05	4	0.20	3	0.15
Net Worth	0.11	3	0.33	4	0.44	2	0.22
Current Ratio	0.05	1	0.05	3	0.15	2	0.10
<b>Totals</b>	<b>1.00</b>	<b>3.44</b>		<b>3.03</b>		<b>2.11</b>	

Marriott is doing significantly better than Hilton and Starwood based on the factors considered in the CPM. It is important to note though, that while Marriott has larger revenues and net income than Hilton, Hilton has a 25% larger company worth than Marriott and is significantly better than Marriott in respect to debt load and its current ratio. With debt relatively cheap in the current environment, debt only received a weight of 0.05 but as rates increase, Marriott's debt load becomes an increasing concern.

## EFE Matrix

	<b>Opportunities</b>	<b>Weight</b>	<b>Rating</b>	<b>Weighted Score</b>
1.	International tourist to the US have increased over 100% in the last 20 years and are expected to increase another 65% by 2030.	0.06	3	0.18
2.	Asia and Africa had an average annual growth in international tourism of 6.2% from 2005-2013.	0.05	3	0.15
3.	Luxury demand worldwide continues to be the strongest segment.	0.10	4	0.40
4.	Leisure destinations in the U.S. also experienced strong demand in 2013 and 2014.	0.06	3	0.18
5.	Africa is a strategic focus for many hotels moving forward, citing the continent's growing middle class and higher growth rates than the U.S.	0.02	2	0.04
6.	Hotels are rapidly developing smartphone apps to help speed up check-in for travelers, including letting customers go straight to their rooms using their phone to unlock doors.	0.01	1	0.01
7.	In China and India, branded penetration can be as low as 20% of the total rooms available. Analysts expect a great increase in branded penetration in developing markets such as China and India moving forward, as customers become more affluent, have increased disposable income, and are able to travel more.	0.05	3	0.15
8.	Many consumers prefer particular brands, being assured generally of better security and consistency from one hotel to another of the same brand.	0.06	4	0.24
9.	Hotels located in urban areas and airports tend to have higher occupancy rates than other areas.	0.05	4	0.20
10.	Asia, Middle East, and Africa (AMEA) enjoyed an overall RevPAR of 6.1 percent.	0.04	3	0.12

	<b>Threats</b>	<b>Weight</b>	<b>Rating</b>	<b>Weighted Score</b>
1.	Increasingly customers are searching travel sites and booking rooms or changing their reservations minutes before their scheduled arrival in order to book the cheapest room.	0.08	3	0.24
2.	Many rival hotels are staying the course with traveler-friendly cancellation policies.	0.06	1	0.06
3.	In November 2014, Starwood Hotels and Resorts (HOT) became the first hotel to let guests unlock doors with their phones; Hilton will soon offer this feature at its hotels.	0.02	1	0.02
4.	Growth in the Eurozone lagged many other global regions with industrywide RevPAR of only 3.2% in 2013 with hotel rooms available increasing only 0.9%.	0.06	2	0.12
5.	72% of hotels currently being developed belong to major hotel companies.	0.06	3	0.18
6.	Currently many emerging markets are struggling and the strong dollar hurts overseas sales that are converted back to dollars.	0.05	3	0.15
7.	Stronger dollar also hurts tourism to the US from Europeans and other travelers with disposable income.	0.04	3	0.12
8.	Starwood is expanding its footprint with both management and franchise contracts; it doubled its international footprint between 2008 and 2013.	0.04	3	0.12
9.	The hotel industry in China experienced a similar pattern as India in 2013, with an increase in available hotel rooms of 4.6% resulting in prices dropping 3.1% and total RevPAR falling 4.2%.	0.05	3	0.15
10.	Airbnb and VRBO are viable competitors now where businesses and individuals alike rent out their own homes and rental properties to consumers.	0.04	2	0.08
<b>TOTALS</b>		<b>1.00</b>		<b>2.91</b>

Marriott is performing quite well on addressing external issues with a total EFE score of 2.91. One key area to consider moving forward to the extent Marriott is willing to stay rigid on forcing customers to notify the hotel a day before if they plan to cancel. Many competitors still allow customers to cancel within a few hours of arrival.

## **E. Internal Audit**

### **Strengths**

1. Marriott Rewards is ranked the #1 hotel loyalty program in the US.
2. Various brands range from economy (Moxi) to luxury (Ritz-Carlton).
3. Marriott is the largest hotel company in the world with more than 4,100 properties in over 80 countries and territories, over 700,000 rooms, and 200,000 more rooms in the pipeline.
4. 97% of all Marriott rooms are either managed or franchised, as the company is opposed to owning the rooms outright.
5. Marriott operates from a divisional-by-region organizational chart; the firm has numerous female executives, consistent with its exemplary record on workplace equality.
6. Marriott, and rival Hilton Worldwide, implemented a new policy that requires customers to notify them the day before their scheduled arrival to avoid having to pay for the room.
7. Marriott's revenue increased in 2013 and 2014 across all three hotel price classes.
8. Marriott's net income increased over 20% in 2014.

9. Marriott is adding over 5,000 hotels worldwide to its portfolio by the year 2017 with a focus on overseas markets, in particular Asia, where Marriott plans to double its exposure by 2017.
10. With the recent acquisition of Protea in South Africa, Marriott expects to have a compounded growth rate of 25% from 2013 to 2017 in this region and also a 25% compounded growth rate in the Middle East over the same timeframe.

### Weaknesses

1. 97% of all Marriott rooms are either managed or franchised, as the company is opposed to owning the rooms outright resulting in possible lack of control over many properties.
2. Marriott does not report a vision or mission statement.
3. Only around 15% of total 2014 revenues were derived outside of North America.
4. Western Europe only experienced moderate RevPAR growth for Marriott in 2014.
5. Strapped by both long-term and short-term liabilities, Marriott's current ratio is only 0.63.
6. Marriott's total equity in 2014 was negative \$2.2 billion, down from negative \$1.4 billion in 2013.
7. Marriott is holding off on using smartphones as keys until security issues can be resolved.
8. Marriott is not the largest hotel firm in China.
9. Intangible assets and goodwill account for over \$2.2 billion (32%) of Marriott's assets.
10. Despite growth, Marriott's management in 2015 cited a lack of new room supply.

### Financial Ratio Analysis

	Marriott	Hilton
Current Ratio	0.63	1.11
Quick Ratio	0.63	0.93
Long Term Debt / Equity	-1.57	2.43
Inventory Turnover	NA	26.00
Total Assets Turnover	2.01	0.40
Accounts Receivable Turnover	9.78	9.34
Average Collection Period	37.33	39.06
Gross Profit Margin	1.00	1.00
Net Profit Margin	0.05	0.06
Return on Total Assets (ROA)	0.11	0.03
Return on Equity (ROE)	-0.34	0.14

### Net Worth Analysis (in millions)

<b>Marriott</b>	
Stockholders' Equity - (Goodwill + Intangibles)	(\$4,445)
Net Income x 5	\$3,765
(Share Price/EPS) x Net Income	\$18,051
Number of Shares Outstanding x Share Price	\$18,620
<b>Method Average</b>	<b>\$8,998</b>

<b>Hilton</b>	
Stockholders' Equity - (Goodwill + Intangibles)	(\$8,345)
Net Income x 5	\$3,365
(Share Price/EPS) x Net Income	\$25,470
Number of Shares Outstanding x Share Price	\$24,280
<b>Method Average</b>	<b>\$11,193</b>

While Marriott may have slightly more hotel rooms than Hilton, Hilton is worth 25% more than Marriott using total Market Capitalization as the measure. It is interesting to note, both Marriott and Hilton have excessive goodwill and intangibles making the first valuation negative for both firms.

### IFE Matrix

	<b>Strengths</b>	<b>Weight</b>	<b>Rating</b>	<b>Weighted Score</b>
1.	Marriott Rewards is ranked the #1 hotel loyalty program in the US.	0.05	3	0.15
2.	Various brands range from economy (Moxi) to luxury (Ritz-Carlton).	0.05	4	0.20
3.	Marriott is the largest hotel company in the world with more than 4,100 properties in over 80 countries and territories, over 700,000 rooms, and 200,000 more rooms in pipeline.	0.07	4	0.28
4.	97% of all Marriott rooms are either managed or franchised, as the company is opposed to owning the rooms outright.	0.04	3	0.12
5.	Marriott operates from a divisional-by-region organizational chart; the firm has numerous female executives, consistent with its exemplary record on workplace equality.	0.04	4	0.16
6.	Marriott, and rival Hilton Worldwide, implemented a new policy that requires customers to notify them the day before their scheduled arrival to avoid having to pay for the room.	0.03	3	0.09
7.	Marriott's revenue increased in each of 2013 and 2014 across all three hotel price classes.	0.08	4	0.32
8.	Marriott's net income increased over 20% in 2014.	0.08	4	0.32
9.	Marriott is adding over 5,000 hotels worldwide to its portfolio by the year 2017 with a focus on overseas markets, in particular Asia, where Marriott plans to double its exposure by 2017.	0.06	3	0.18
10.	With the recent acquisition of Protea in South Africa, Marriott expects to have a compounded growth rate of 25% from 2013 to 2017 in this region and also a 25% compounded growth rate in the Middle East over the same time frame.	0.04	3	0.12

<b>Weaknesses</b>		<b>Weight</b>	<b>Rating</b>	<b>Weighted Score</b>
1.	97% of all Marriott rooms are either managed or franchised, as the company is opposed to owning the rooms outright resulting in possible lack of control over many properties.	0.04	2	0.08
2.	Marriott does not report a vision or mission statement.	0.03	1	0.03
3.	Only around 15% of total 2014 revenues were derived outside of North America.	0.05	1	0.05
4.	Western Europe only experienced moderate RevPAR growth for Marriott in 2014.	0.04	1	0.04
5.	Strapped by both long term and short-term liabilities, Marriott's current ratio is only 0.63.	0.08	1	0.08
6.	Marriott's total equity in 2014 was negative \$2.2 billion, down from a negative \$1.4 billion in 2013.	0.08	1	0.08
7.	Marriott is holding off on using smartphones as keys until security issues can be resolved.	0.01	2	0.02
8.	Marriott is not the largest hotel firm in China.	0.03	2	0.06
9.	Intangible assets and goodwill account for over \$2.2 billion (32%) of Marriott's assets.	0.06	1	0.06
10.	Despite growth, Marriott's management in 2015 cited a lack of new room supply.	0.04	2	0.08
<b>TOTALS</b>		<b>1.00</b>		<b>2.52</b>

Marriott is performing above average addressing its internal issues. Three key areas for improvement are: 1) excessive goodwill, Marriott needs to do a better job evaluating and negotiating a better price for future investments, 2) poor current ratio, the firm is strapped by short-term debt, and 3) excessive long-term debt.

## **F. SWOT**

### **SO Strategies**

1. Acquire lease agreements on one new luxury hotel in each of Washington DC, Miami, and New York (S1, S2, O1, O3, O9).
2. Add one more property in South Africa (S2, S8, S10, O2, O3, O10).
3. Add one property each in Shanghai and Beijing (S2, S3, S7, S9, O2, O3, O7, O10)

### **WO Strategies**

1. Continue with international expansion as outlined in the SO strategies (W3, W8, O2, O5, O7, O10).
2. Develop keyless entry systems by 2017 (W7, O6).

### **ST Strategies**

1. Marriott should offer customers a cancellation fee option for canceling rooms within one day of arrival (S6, T2).
2. Offer 10% discounts on rooms booked a month in advance with agreement of a no cancellation policy (S6, T2).
3. Advertise to promote the consistency of Marriott properties over lesser-known brands (S1, T10).

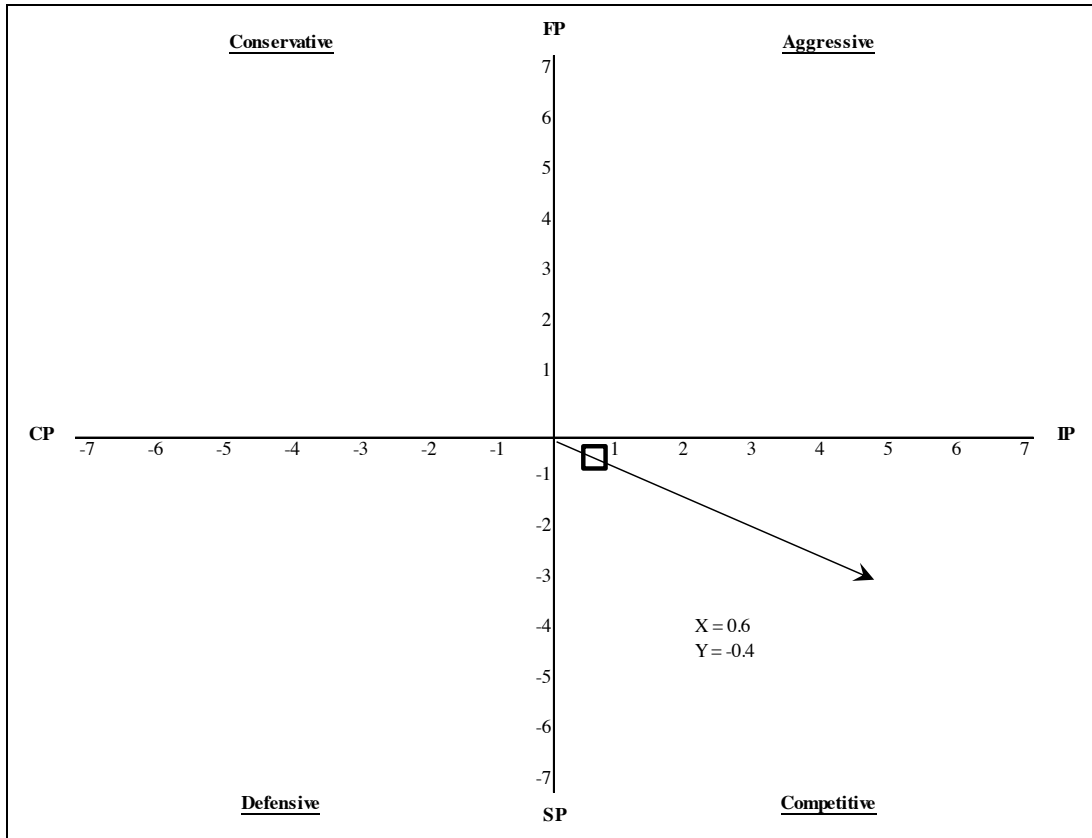
### **WT Strategies**

1. Divest 10% of properties in Western Europe (W4, T4).



2. Add two properties in Hong Kong while prices are lower (W3, W8, T9).
3. Develop a formal mission and vision or make public any existing statements (W2, T4, T7, T8, T9).

## G. SPACE Matrix

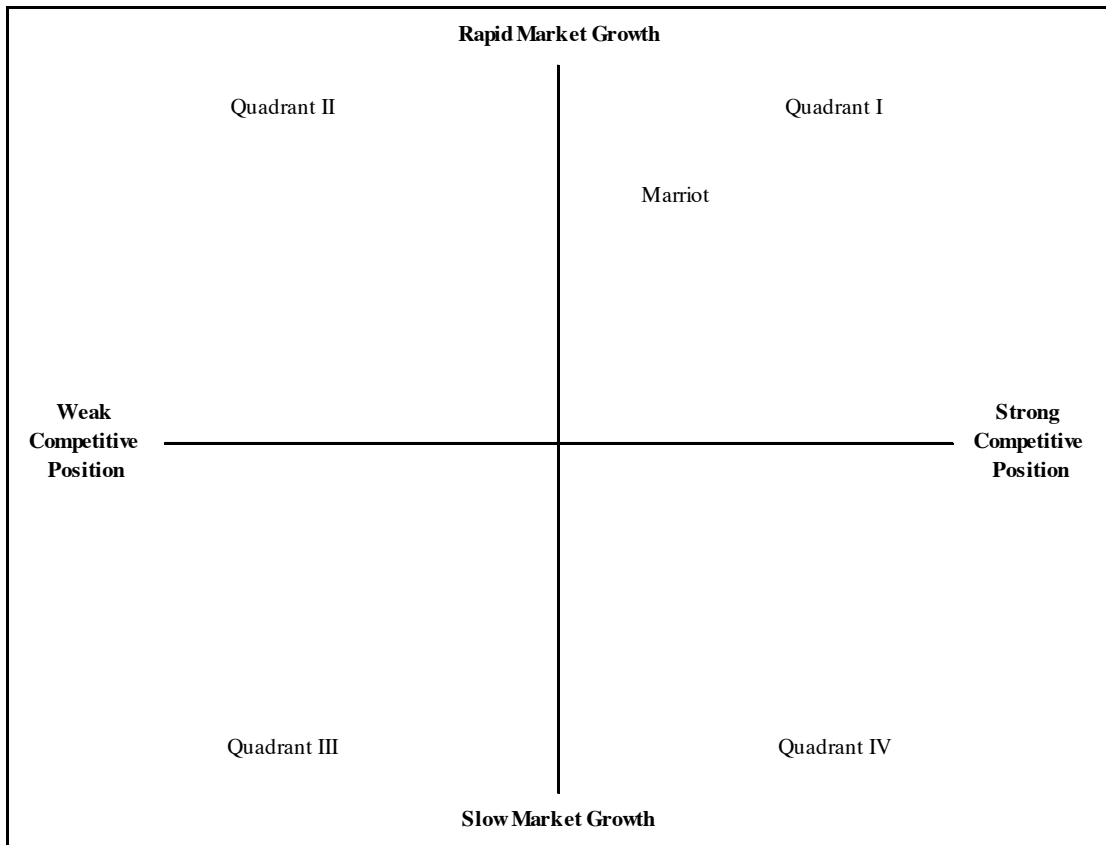


<i>Internal Analysis:</i>		<i>External Analysis:</i>	
<b>Financial Position (FP)</b>		<b>Stability Position (SP)</b>	
Debt Ratio	2	Competitive Pressure	-7
Current Ratio	3	Gas Prices & Airline Prices	-3
ROE	2	Product Demand	-2
EPS	6	Product Line Diversity	-2
Goodwill Impairment	1	Substitute Products	-2
<b>Financial Position (FP) Average</b>	<b>2.8</b>	<b>Stability Position (SP) Average</b>	<b>-3.2</b>

<i>Internal Analysis:</i>		<i>External Analysis:</i>	
<b>Competitive Position (CP)</b>		<b>Industry Position (IP)</b>	
US Market Share	-2	Western Europe Growth Rate	1
International Market Share	-5	Emerging Market Growth Rate	5
Product Value	-2	North America Growth Rate	4
Product Variety	-2	VRBO and Airbnb Threat	5
Use of Technology	-3	Merger and Acquisition Climate	2
<b>Competitive Position (CP) Average</b>	<b>-2.8</b>	<b>Industry Position (IP) Average</b>	<b>3.4</b>

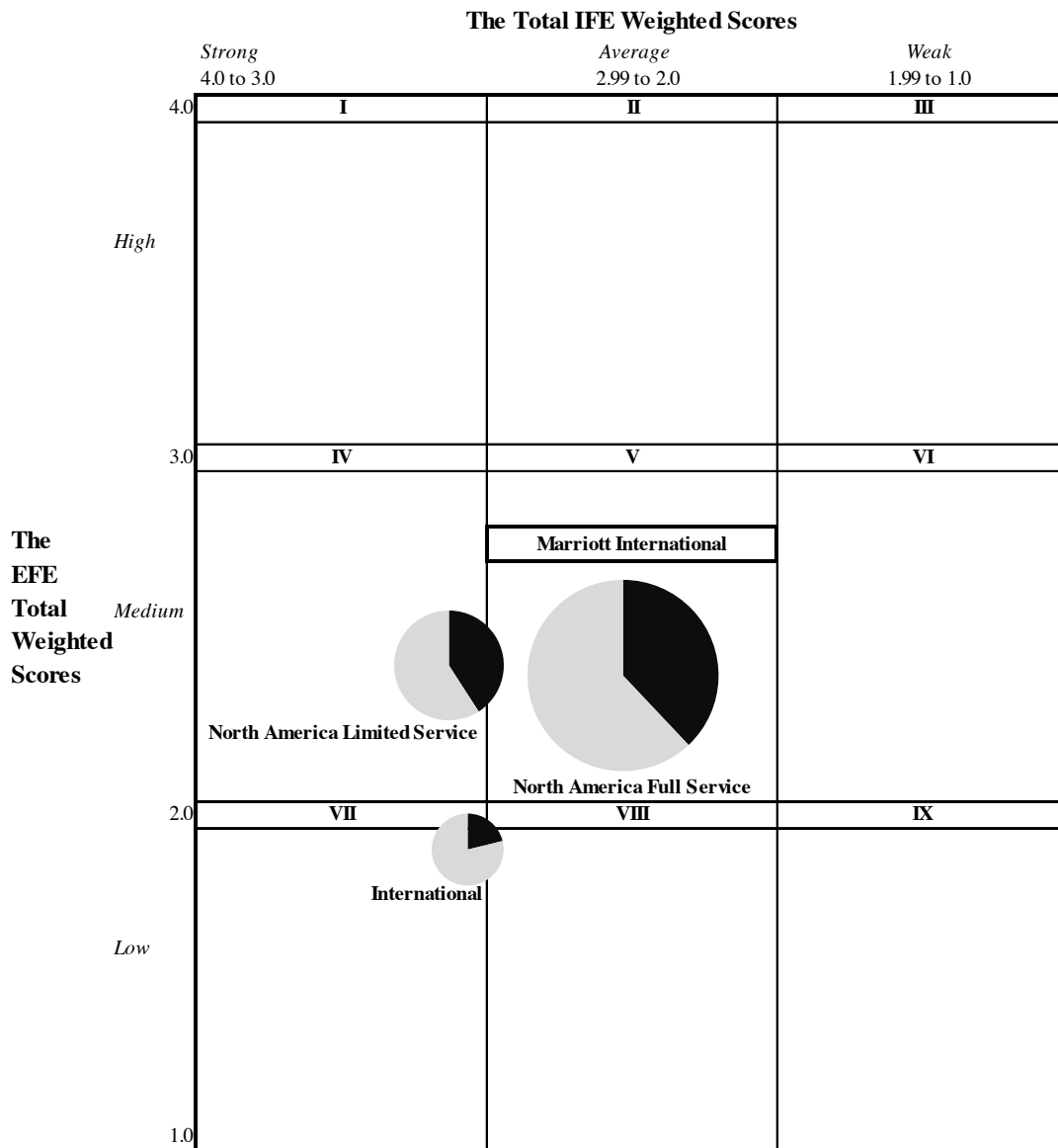
Marriott's SPACE score indicates the company is in the Competitive Quadrant of the SPACE. To move deep into the Aggressive Quadrant, Marriott needs to continue to increase its international market share in regions such as China, South Africa, and Latin America to help improve on its -5 score on this factor. The firm also needs to pay down debt, become more liquid, and stop overpaying for its acquisitions as indicated by a relatively poor 2.8 total score for FP with a worst possible score of 1 for goodwill impairment.

## H. Grand Strategy Matrix



Marriott is located in Quadrant I of the Grand Strategy Matrix. Both Marriott and Hilton saw 2014 revenues increase over 8% while smaller Starwood experienced an increase of over 3%. As a whole, Western Europe was a laggard with sales actually declining industry wide. Thus, Marriott should consider adding more hotels in developed markets such as the US that are performing well.

## I. The Internal-External (IE) Matrix



Marriott is performing about average and is located in the Hold and Maintain area of the IE Matrix. The International division is performing slightly less favorably than the two North American segments mostly because of the struggles in Western Europe. Marriott should not consider divesting this division; rather the firm should add further properties in China and Africa instead of further expansion into Western Europe.

## J. BCG

No BCG was attempted for Marriott over concerns of franchisee versus company-owned properties. This issue would make the relative market share position (RMSP) difficult as company-owned properties would have significantly larger revenues.

**K. QSPM**

		<i>Acquire Further Properties in North America</i>		<i>Acquire Further Properties in Asia and Africa</i>	
<b>Opportunities</b>	<b>Weight</b>	<b>AS</b>	<b>TAS</b>	<b>AS</b>	<b>TAS</b>
1. International tourist to the US have increased over 100% in the last 20 years and are expected to increase another 65% by 2030.	0.06	4	0.24	2	0.12
2. Asia and Africa had an average annual growth in international tourism of 6.2% from 2005-2013.	0.05	1	0.05	4	0.20
3. Luxury demand worldwide continues to be the strongest	0.10	4	0.40	3	0.30
4. Leisure destinations in the U.S. also experienced strong demand in 2013 and 2014.	0.06	4	0.24	1	0.06
5. Africa is a strategic focus for many hotels moving forward, citing the continent's growing middle class and higher growth rates than the U.S.	0.02	1	0.02	4	0.08
6. Hotels are rapidly developing smartphone apps to help speed up check-in for travelers, including letting customers go straight to their rooms using their phone to unlock doors.	0.01	0	0.00	0	0.00
7. In China and India, branded penetration can be as low as 20% of the total rooms available. Analysts expect a great increase in branded penetration in developing markets such as China and India moving forward, as customers become more affluent, have increased disposable income, and are able to travel more.	0.05	1	0.05	4	0.20
8. Many consumers prefer particular brands, being assured generally of better security and consistency from one hotel to another of the same brand.	0.06	0	0.00	0	0.00
9. Hotels located in urban areas and airports tend to have higher occupancy rates than other areas.	0.05	2	0.10	1	0.05
10. Asia, Middle East, and Africa (AMEA) enjoyed an overall RevPAR of 6.1 percent.	0.04	1	0.04	4	0.16

<b>Threats</b>		<b>Weight</b>	<b>AS</b>	<b>TAS</b>	<b>AS</b>	<b>TAS</b>
1.	Increasingly customers are searching travel sites and booking rooms or changing their reservations minutes before their scheduled arrival in order to book the cheapest room.	0.08	0	0.00	0	0.00
2.	Many rival hotels are staying the course with traveler-friendly cancellation policies.	0.06	0	0.00	0	0.00
3.	In November 2014, Starwood Hotels and Resorts (HOT) became the first hotel to let guests unlock doors with their phones; Hilton will soon offer this feature at its hotels.	0.02	0	0.00	0	0.00
4.	Growth in the Eurozone lagged many other global regions with industrywide RevPAR of only 3.2% in 2013 with hotel rooms available increasing only 0.9%.	0.06	3	0.18	2	0.12
5.	72% of hotels currently being developed belong to major hotel companies.	0.06	0	0.00	0	0.00
6.	Currently many emerging markets are struggling and the strong dollar hurts overseas sales that are converted back to dollars.	0.05	2	0.10	4	0.20
7.	Stronger dollar also hurts tourism to the US from Europeans and other travelers with disposable income.	0.04	1	0.04	2	0.08
8.	Starwood is expanding its footprint with both management and franchise contracts; it doubled its international footprint between 2008 and 2013.	0.04	0	0.00	0	0.00
9.	The hotel industry in China experienced a similar pattern as India in 2013, with an increase in available hotel rooms of 4.6% resulting in prices dropping 3.1% and total RevPAR falling 4.2%.	0.05	1	0.05	3	0.15
10.	Airbnb and VRBO are viable competitors now where businesses and individuals alike rent out their own homes and rental properties to consumers.	0.04	0	0.00	0	0.00

		<i>Acquire Further Properties in North America</i>			<i>Acquire Further Properties in Asia and Africa</i>	
<b>Strengths</b>	<b>Weight</b>	<b>AS</b>	<b>TAS</b>	<b>AS</b>	<b>TAS</b>	
1. Marriott Rewards is ranked the #1 hotel loyalty program in the US.	0.05	0	0.00	0	0.00	
2. Various brands range from economy (Moxi) to luxury (Ritz-Carlton).	0.05	0	0.00	0	0.00	
3. Marriott is the largest hotel company in the world with more than 4,100 properties in over 80 countries and territories, over 700,000 rooms, and 200,000 more rooms in pipeline.	0.07	3	0.21	4	0.28	
4. 97% of all Marriott rooms are either managed or franchised, as the company is opposed to owning the rooms outright.	0.04	0	0.00	0	0.00	
5. Marriott operates from a divisional-by-region organizational chart; the firm has numerous female executives, consistent with its exemplary record on workplace equality.	0.04	0	0.00	0	0.00	
6. Marriott, and rival Hilton Worldwide, implemented a new policy that requires customers to notify them the day before their scheduled arrival to avoid having to pay for the room.	0.03	0	0.00	0	0.00	
7. Marriott's revenue increased in each of 2013 and 2014 across all three hotel price classes.	0.08	0	0.00	0	0.00	
8. Marriott's net income increased over 20% in 2014.	0.08	0	0.00	0	0.00	
9. Marriott is adding over 5,000 hotels worldwide to its portfolio by the year 2017 with a focus on overseas markets, in particular Asia, where Marriott plans to double its exposure by 2017.	0.06	2	0.12	4	0.24	
10. With the recent acquisition of Protea in South Africa, Marriott expects to have a compounded growth rate of 25% from 2013 to 2017 in this region and also a 25% compounded growth rate in the Middle East over the same time frame.	0.04	1	0.04	4	0.16	

<b>Weaknesses</b>	<b>Weight</b>	<b>AS</b>	<b>TAS</b>	<b>AS</b>	<b>TAS</b>
1. 97% of all Marriott rooms are either managed or franchised, as the company is opposed to owning the rooms outright resulting in possible lack of control over many properties.	0.04	0	0.00	0	0.00
2. Marriott does not report a vision or mission statement.	0.03	0	0.00	0	0.00
3. Only around 15% of total 2014 revenues were derived outside of North America.	0.05	1	0.05	4	0.20
4. Western Europe only experienced moderate RevPAR growth for Marriott in 2014.	0.04	0	0.00	0	0.00
5. Strapped by both long term and short-term liabilities, Marriott's current ratio is only 0.63.	0.08	0	0.00	0	0.00
6. Marriott's total equity in 2014 was negative \$2.2 billion, down from a negative \$1.4 billion in 2013.	0.08	0	0.00	0	0.00
7. Marriott is holding off on using smartphones as keys until security issues can be resolved.	0.01	0	0.00	0	0.00
8. Marriott is not the largest hotel firm in China.	0.03	1	0.03	3	0.09
9. Intangible assets and goodwill account for over \$2.2 billion (32%) of Marriott's assets.	0.06	0	0.00	0	0.00
10. Despite growth, Marriott's management in 2015 cited a lack of new room supply.	0.04	4	0.16	3	0.12
<b>TOTALS</b>			<b>2.12</b>		<b>2.81</b>

QSPM reveals focusing on Asia and Africa to be a more attractive strategy than US expansion. Considering the results of the EPS/EBIT at this time, it is likely best to divert resources to China and South Africa and take advantage of the strong dollar in purchasing properties here cheaply.

## L. Recommendations

1. Acquire lease agreements on one new luxury hotel in each of Washington DC, Miami, and New York for \$500 million.
2. Add one more property in South Africa for \$200 million.
3. Add one property each in Shanghai and Beijing for \$500 million.
4. Develop keyless entry system by 2017 for \$10 million.
5. Offer 10% discounts on rooms booked a month in advance with agreement of a no cancellation policy
6. Add two properties in Hong Kong while prices are lower for \$500 million.
7. Develop a formal mission and vision or make public any existing statements.

## M. EPS/EBIT Analysis (in millions except for EPS and Share Price)

Amount Needed: \$1,710

Stock Price: \$70

Shares Outstanding: 266

Interest Rate: 5%

Tax Rate: 31%

	<u>Common Stock Financing</u>			<u>Debt Financing</u>		
	<u>Recession</u>	<u>Normal</u>	<u>Boom</u>	<u>Recession</u>	<u>Normal</u>	<u>Boom</u>
<b>EBIT</b>	\$1,000	\$1,200	\$1,500	\$1,000	\$1,200	\$1,500
<b>Interest</b>	0	0	0	0	0	0
<b>EBT</b>	1,000	1,200	1,500	1,000	1,200	1,500
<b>Taxes</b>	310	372	465	310	372	465
<b>EAT</b>	690	828	1,035	690	828	1,035
<b># Shares</b>	290	290	290	266	266	266
<b>EPS</b>	<b>2.38</b>	<b>2.85</b>	<b>3.56</b>	<b>2.59</b>	<b>3.11</b>	<b>3.89</b>

	<u>50 Percent Stock</u>			<u>50 Percent Debt</u>		
	<u>Recession</u>	<u>Normal</u>	<u>Boom</u>	<u>Recession</u>	<u>Normal</u>	<u>Boom</u>
<b>EBIT</b>	\$1,000	\$1,200	\$1,500	\$1,000	\$1,200	\$1,500
<b>Interest</b>	0	0	0	0	0	0
<b>EBT</b>	1,000	1,200	1,500	1,000	1,200	1,500
<b>Taxes</b>	310	372	465	310	372	465
<b>EAT</b>	690	828	1,035	690	828	1,035
<b># Shares</b>	278	278	278	278	278	278
<b>EPS</b>	<b>2.48</b>	<b>2.98</b>	<b>3.72</b>	<b>2.48</b>	<b>2.98</b>	<b>3.72</b>

Debt financing is superior to equity financing under all economic conditions. However, additional debt may be problematic for Marriott as the firm currently has high levels of debt on its balance sheet. Financing through 100% equity would raise the total number of shares outstanding by 9%, may hurt stock price and possibly invite Hilton or others to purchase the shares. Some combination of financing is likely best, or even better yet, reducing the total capital needed to around \$1 billion instead of \$1.7 billion. The firm is

also currently in a stock buyback program, but that does not necessarily have to be the same direction a student has to take in their analysis.

## **N. Epilogue**

Marriott and the entire travel industry have experienced a growth in sales as the economy in the United States has improved and oil prices have fallen. In 2015, Marriott is buying back 25 million shares or around 9 percent of total shares outstanding. Marriott also announced in January 2015 that it plans to buy Canadian-based Delta Hotels and Resorts for \$125 million. The acquisition of Delta Hotels is in line with Marriott's plans to expand internationally; however, the firm is mostly focused on emerging markets. In 2015, CEO Sorenson reiterated these plans in particular to India, where the firm currently operates 24 hotels with plans to operate 50 by 2020. The firm has continued its expansion by acquisition strategy doubling its presence in the Middle East and Africa to now only trail Hilton as the largest player in that region. Marriott also in 2015 acquired Delta Hotels located in Canada. The strong dollar may hurt revenues converted back to dollars but it certainly has helped Marriott acquire firms at a better cost.





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