Why Hotel Giant Marriott is on an Expansion Binge as it fends Off Airbnb

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**Introduction**

Giant Marriott has a successful and long history of excellent customer service as the company commenced as AW Root Beer stand in 1972 comprising of nine seats. The hotel has grown into a recognizable brand in the hospitality industry with its branches in several other countries. The portfolio of the brand has highlighted that the strategy of hotel has an aim to cater to a wide spectrum of customers in terms of fulfillment of needs with care and conviction. By the end of 2017, Marriott International has 6500 properties that included 554,642 rooms in total. The number of employees was 1,77,000 that makes the company effective as one of the organizers of a large number of employees worldwide. Taking into account the record of the last six years, it has been inferred that Martiot could continuously improve the crisis in a convincing and a well-suited manner. The company is in a tie with Hilton side by side; there is a threat to Marriott because there is a possibility, China will reject the merging of Chinese government with Marriott and Starwood.

**Discussion**

In order to undergo a complete exegetical analysis of Marriott, it is significant to opt for PESTLE analysis. Marriott operates 4,200 hotels worldwide, and these hotels exist in 70 territories. The revenue reported by Marriott is $14.22 billion that is growing at a rate of 5.88%. The point to consider is, do PESTLE factors that are surrounding Marriott justify its expansion or not?

**Political Factors**

The major stance of political factors is threat to terrorism, political climate and international relations that are related to tourist destinations. It is important to note that a significant threat to the company is military conflict because it could hamper international traveling and frighten people.

**Economic Factors**

Significant economic factors include the slowing of economic growth particularly in China as well as an ongoing drawback in Europe. The collapse of the stock market and the crisis of debt are a tool that has reduced the buying power as well as the provision of travel services. The exchange of high exchange rate for US dollar overseas is another phenomenon because it discourages Americans. A long term economic threat is increasing the income inequality taking into account the stagnation of middle-class wages in the country. It has reduced customers who aim at staying hotel and opt for traveling.

**Social and Cultural Factors**

Social factors are the empowerers of progress for Marriott, taking into account that the number of people with foresighted plans has increased up to 13%. The average amount of travelers who aimed at traveling and hotelling have increased from an average of $5,955 in 2013 to $5,136 in 2016. Increased number of Chinese and Asian travelers are the significant factors that can affect the cultural factors of an organization.

**Technological factors**

The technological factors that can impact the business of hotel refer to the innovations that have been brought into practice such as online rental services and individual rental rooms with sponsorship. About 6 million guests stayed in Airbnb, taking into account that about 25,500 Airbnb guest are listed just for New York. The technological threat cannot be neglected, taking into account that Airbnb poses a threat because a host voids some expenses such as fire regulations, hotel taxes and the measures to lower cost.

**Legal Factors**

The legal factors that are brought into insight include service status like Airbnb. Authorities in diverse cities have charged Airbnb as well as its hosts because of violating regulations, zoning laws, and the safety terms. Many of the hosts criticize Airbnb because of illegal hotels and avoidance to lodging taxes.

**Environmental factors**

Marriott’s business is hampered because of prices associated with fuel and oil that can lead to reducing travel costs and the demand for hotel rooms. A significant environmental fact can include increased electricity costs that can limit the burning of coal power plants. Environmental factors have the tendency to harm the economic baseline such as flooding of resorts and raising ocean levels.

**Internal Environmental Analysis**

**Strategies**

The internal factor analysis reveals that Marriott is using certain strategies such as an expansion of brands and global leadership in business, about 43% of the interest of hotel is consumed by internal operations. There are remarkable strategies that can attract customers such as eco-friendly environment, retaining customers through price satisfaction and quality.

**Franchising**

There are a large number of franchises in about 60 countries that can facilitate the expansion of the hotel portfolio. There is a strong assessment of segments that are found in different countries taking into account the facilities provided such as upper moderate, moderate and lower moderate prices. A context of high brand recognition and recall can make the company a priority for the clients.

**Focus on Europe**

Marriott International has a prime focus on US Market; taking into account that US marketing is always taken into consideration. The over dependency on brands is also a fact that imparts luxury products because much of the population cannot afford such brand luxuries. The hotel lacks a costly lifestyle as that of Hotel Indigo and Starwood.

**Managing**

It is important to note that the hotel looks ahead towards franchising except owning them. The company operates about 46% hotels in under management, 52% are in the context of under franchise agreements. Marriott has registered weak financial performance due to slow down economy and the lodging industry. Side by side, the operating income also decrease by 2009 taking into account that the hotel faces a loss of $76 million in 2006 because of high oil pricing.

**Market Analysis**

Taking into account the loyalty program through Starwood's portfolio of China, certain distinctive properties are found in the market. These properties highlight that Marriott's nineteen brands are highlighly indulged in “mid-market". It refers to selective services such as catering to price-conscious warriors because no less than 53% of the Marriott rooms are clustered in the range of limited service categories. It also highlights the provision of certain services such as costs, and selling blocks of rooms that are meant for conventions and management of loyalty programs such as Starwood Preferred Guests and Marriott Rewards. Franchising is another stance of marketing taking into account that Marriott acts as a sponsor for other service providers.

**Primary Consumers**

Major consumers of Marriott are Millennial because they are not more into traditional traveling norms, about 49% of population book trips at very last moment, while 58% book traditional traveling. It is also significant that China is an emerging market for Marriott. The deeply held convention is also one of the reasons that Sorenson engineered the transformative deal for the company, i.e., 13.6 billion acquisitions.

**Marketing Strategies**

Marriott is a worldwide franchise, licensors, operator of timeshare properties, hotel and residential under different brand names with different service and price points. However, the costs focus of the business is concerned with lodging properties. Company-operated properties also major concerns of business, taking into account the long term management with property owners. The aim of an organization is to train, hire and supervise employees and managers for purchasing supplies and operation of facilities that can represent a brand as well as the business itself. Residential faculties refer to saling of real estates involving hotel conjunction as well as third party. Sorenson’s ambitious growth plan has brought into insight the oversupply problem, inferring that there are few dilemmas that are necessary to address within the marketing and distribution plans of Marriott. Select service is Marriott's staple product. The stock pricing of Marriott is $114.74, taking into account a compact ratio of high profile businesses. Marriott International has a global distribution stance; taking into account that the global reservation centers have highlighted that Marriott communicates reservations to other branded hotels taking into account that individuals are made direct with online channels through communication channels. It has been brought into insight that Loyalty Programs and multi-channel reservation systems have brought Marriott at an edge of effective leverage system.

#### The stance of promotion has brought into insight that Marriott is acting as a guide and a tool for the sponsorship of different brands. The promotional services are working in coordination with national advertising with centralized services. The management of resources and franchise agreements have affirmed the properties that reimburse the cost of ongoing operations of Loyalty Programs. It is important to note that promotion is also inferred through several online management proceedings such as apps, pages, and channels. The recorded liability of the programs executed by Marriott International for maintenance of its products, services, and strategies totaled $4.940 million in the year 2017 as compared to $5,451 million at the end of the year 2016. (Savolainen, et, al. 2018).

**Evaluation of Other Financial Areas**

It would not be wrong to say that Marriott is an aggressive organization that has a number of plans in terms of financial areas. The focus on products, customers and service innovations highlights the vision of an organization. The Diluted earning per share of Marriott is $5.25 to $5.80 by the year 2019, adhering to a compound rate of 17 to 21 percent. The adjusted earnings before interest tax and depreciation are to increase by 7 to 10 percent compounded. The shareholders could see $1.4 to $1.5 billion in dividend by assuming a 30% payout ratio. According to the plan of year 2018, it has been affirmed that the hotel aims at opening a new hotel every 14 hours, taking into account security analysts and institutional investors. Marriott aims at accelerating its growth by adding 300,000 to 285,000 rooms worldwide by the year 2019. It is evident that there will be an increment in the leading loyalty programs. In the context of non-property related finances such as franchise fees branding fees and largely credit card spendings are assumed to increase by $100 MILLION in the next three years.

The HR analysis reveals that Marriott highlights internal development taking into account human capital review. Marriott aims at a building of leadership skills and the analysis of attributes that can infer better services to customers. One of the objectives behind aggressive HR is development, retention, and attraction of youth in order to provide a continuous supply of future and current talent needs for growth.

Giant Marriott uses technology as a tool to integrate and strengthen financial areas. It refers to the utilization of resources that can reflect the desires and needs of clients. The app of Marriott and processing of pages have added into the crux of business management by making direct contact with the customers.

**SWOT Analysis**

The SWOT analysis of Marriott identifies certain strengths and threats that are evaluated on the basis of exegetical analysis. (Marriott International SWOT Analysis Matrix, 2019)

**Strengths**

The strengths of Giant Marriott refer to the way that is adopted in order to carry out operational norms. The code of conduct of Marriott is designated as one of the top management for each employee. International standards have also added to the efficiency of the hotel, taking into account 1.2 million rooms. Innovation has also highlighted the operational philosophy that is centered on procedures and systems that can involve commitment and better services.

**Weaknesses**

The aggressive expansion is termed as one of the threats to services because it is hard to maintain the standards. The over-emphasis to serve standardization has stringent adherence to business values. (Marriott International SWOT Analysis Matrix, 2019). Considering Marriott as a family business is also a bit ineffective because there is an unwillingness to change.

**Opportunities**

There are several opportunities for Marriott to work on, such as shifting of consumer behavior as they travel and stay with the same family luxuries are required. In contradiction to the last record increase in global travel has emphasized the avenue of success and progression. (Marriott International SWOT Analysis Matrix, 2019). The hotel can also charge a premium for the personalized services that are rendered.

**Threats**

The economic recession is one of the major threats that can hit the hospitality of business, side by side; increasing competition is a fact that can compromise the adequacy of services. The threat of a terrorist attack is an undeniable section because of global incentives and conflicts.

**Major Problems in Marriott**

There are certain problems that Marriott is facing such as, slowing US economic growth. It has hampered the economic framework, taking into account that there is a 4% decrease in the customer's interest.

**Political Unrest**

Another major problem is political unrest and the threats to terrorism, taking into account that violence in places like Turkey and France had a negative impact on international RevPAR.

**China’s review of Starwood merger**

Merging between Starwood Hotels and Resorts Worldwide and Marriott will beat Hilton by accessing highest ranking of largest hospitality service still there is a bidding war against Chinese Investment Company Anbang, affirming that Chinese government would reject to merge with China.

**Development of Strategic Alternatives**

Marriott has undergone development of strategic alternatives to maintance its perfection and satisfaction such as the launching of new brands in 2010, double presence in the realms of Europe by 2015 and adherence to incremental revenues by reducing costs at property levels. The company also aim at the provision of mid-level hotel segments to compete in the growing world of the population and utilizing low cost and high impact promotions.

**Evaluation of Strategic Alternatives**

Above mentioned strategic alternatives affirm that Marriott is trying to present itself strong and competent by approaching rapid growth through a tiny droplet of capital rather than huge investments. By the year 2015, the fees from Management and franchising have expanded to 31%. The management of stock is also admiring; a total annualization return is 23.1% that is much acceptable. Selected services have also added to the security of an organization.

**Recommendation of the better Alternative**

Marriott should try to infer “cloud compensate” because it will be a direct extension to the performance and sustainability of hotel. The extension of selective services is also a great tool to adapt to a competitive environment. Maintenance of technological aspects and mitigating danger of lack of bookings is also a best solution.

**Implementation Techniques**

#### The compensation for US slow down with a gigantic growth can make the hotel with fastest marketing. The segment of China can boom the market to about 15 or more cities addressing a population of about 4 billion. The provision of selective service to other hotels such as 100 hotels annually can maintain the repute. Evaluation of Expedia.com and Priceline.com can infer productivity and services in an organization. (Savolainen, et, al. 2018).

**Control Procedures**

There are certain initiatives that can be taken to keep the recommendations in synchronization such as “maintenance of cloud compensate’ in terms of investigations and reformations. The implication of selective services by restricting to certain services in all states is necessary to achieve the required goals. In order to promote technological advancements, adhering to technological features through proper evaluation of innovation is necessary to build up and remain consistent with mark.

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