Analysis of Marriott's Financial Position under the Epidemic

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Abstract. The Covid-19 outbreak is a great catastrophe affecting the world, affecting most industries from 2019 to 2020, and the hospitality and tourism industries are the most vulnerable to the external environment. This paper uses Marriott, a well-established hospitality and travel company, to study the operations of the listed hotel group in light of the impact of the epidemic. This report analyses Marriott and compares it to one of its competitors through the lens of financial data in four categories. The four data items show that Marriott's fiscal position has deteriorated as a result of the epidemic and that Marriott is taking steps to mitigate its financial position. This study allows the hotel group to identify the problems that are reflected in its finances and to resolve them. Marriott needs to return to normal operations as soon as possible and increase its profitability through more marketing to attract more customers, given the enormous financial losses it is receiving.

Keywords: Marriott; Epidemic; Financial.

1. Introduction

1.1. Background

The Covid-19 outbreak has been the most impacting and high-profile event in the world in recent years. The outbreak has not only affected people's lives but has also dealt a significant blow to many industries, particularly the tourism and hospitality sectors, where various hotel groups are facing huge losses as people are more willing to reduce their travel plans. We know that the accommodation industry is particularly susceptible to environmental and human resource impacts and is the most responsive to market changes, which can be fully reflected in a hotel's financial situation, and studying the changes in hotel finances during the epidemic can better enable hotel groups to learn from their experiences and find ways to cope with declining revenues. Marriott is not indifferent to the influence of the epidemic, and they have made certain responses to it. The purpose of this paper is to review the financial situation of Marriott International in the face of the epidemic and provide recommendations as to whether it is still worth investing in.

1.2. Related research

Lai conducted a financial analysis of Marriott International, Porter's Five Forces analysis, and a longitudinal and cross-sectional analysis and ratio analysis of Marriott International, from which Lai gave a financial forecast and proforma statement for Marriott International. Lai also noted that there are still unpredictable risks such as currency risks and terrorist threats in the future [1]. Shamsi et al. examined Marriott International's liquidity and net profit growth rates in the report, and the data shows that both figures are growing. Expanded liquidity measures and ratios indicate that Marriott International has more capital available for new ventures and to assume its responsibilities when needed, and above-average net profit margins give the authors confidence that Marriott International will be better off in the coming years [2]. Zhang et al. Study the use of big data on customer habits and intentions based on the business application of big data by Marriott International, pointing out that the use of big data by Marriott International is still at an early stage, and pointing out that if it is used effectively, it can bring considerable profits to the hotel [3].

In Madar's study, Marriott International remained competitive with peers in core areas of their products (service quality and room quality), choosing to manage differentiation by reducing employee and material costs, and then creating a competitive advantage by improving service quality as much

as possible after reducing costs [4]. Wroten reported a 66% occupancy rate for Marriott International hotels in China in March 2021, recovering to March 2019 levels, indicating a trend towards a full resumption of operations in China amid the relaxation of the covid-19 outbreak policy. However, the financial picture is not encouraging, with comparable systemwide constant dollar RevPAR declining 59.1% globally compared to the first quarter of 2019. It declined 57.1% in the U.S. and Canada and 64.1% in international markets, and as of the author's publication date, Marriott International is taking active steps to address the situation, such as actively reaching out to landlords to control costs, and as a result, its shares remain in an uptrend [5]. In a study of Marriott International, Andreani and his group mate found that Marriott International has been using Customer Relationship Management (CRM) to maintain their relationships with customers and to increase customer loyalty through financial benefits, social benefits and structural relationships, and after analyzing the data, it was concluded that CRM is indeed a proven method to build and maintain loyalty [6]. In its 2018 report, Mest noted that while Marriott International experienced a year of widespread strikes and a time of customer data breaches, strong results were achieved through its new loyalty brand 'Marriott Bonvoy' and combined with Starwood's loyalty program [7]. In a case study of the Amman Marriott International Hotel, Mazen found that the hotel's lack of focus on the intrinsic customer led to a lack of staff interest in improving service quality, and Mazen noted that this study could serve as a reference for improving service quality at Marriott hotels overall [8]. An article published in November 2020 featured a Marriott campaign inviting customers to telecommute to the hotel and offering a corresponding package as a response to the covid-19 outbreak [9]. The visit to Marriott's founding fathers shows that Marriott International has always continued the mission of service engraved in the soul [10].

1.3. Objective

The objective of this paper is to study the financial changes of Marriott under the impact of the epidemic and give recommendations accordingly. Chapter 2 lists some of the financial data of Marriott and compares it with its competitor Hilton, Chapter 3 is a ratio analysis of these data and uses the data to understand the company's financial situation and identify the problems reflected in Marriott's financial statements, and Chapter 4 is a discussion of Marriott's business, the business model, operations, and future development since 2018, it’s operating conditions, and future developments are discussed.

2. Method and data

2.1. Gross profit

$$\text{Gross Profit} = \text{Sales} - \text{Cost of Sales} \quad (1)$$

Marriott International's gross profit is 3,674 million dollars in 2018 and it decreased to 1,769 million dollars in 2020, only to rebound to 2,653 million dollars in 2021.

2.2. Net Profit

$$\text{Net Profit margin} = (\text{Net Profit} / \text{Revenue}) \times 100\% \quad (2)$$

Table 1. The net Profit margin of Marriott and Hilton

Net Profit margin	2021	2020	2019	2018
Marriott	32.18%	-4.4%	7.6%	11.29%
Hilton	34.73%	38.71%	12.26%	8.06%

2.3. Current ratio

$$\text{Current ratio} = \text{Current Assets} / \text{Current Liabilities} \quad (3)$$

Table 2. The current ratio of Marriott and Hilton

Current ratio	2021	2020	2019	2018
Marriott	0.56	0.49	0.46	0.42
Hilton	0.88	0.88	0.92	0.95

2.4. EPS

EPS = Profit after tax and preference dividends / Equity shares in issue (4)

Table 3. EPS of Marriott and Hilton

EPS	2021	2020	2019	2018
Marriott	2.48	0.56	4.12	5.62
Hilton	1.26	1.32	0.75	0.52

3. Results

3.1. Revenue and Operating Income

Revenue and operating income provide a visual indication of a company's volume, while comparisons show how the company has increased in the past few years.

Table 4. Revenue and Operating income from Marriott

In millions dollar	2021	2020	2019	2018
Revenue	3490	10571	20972	20758
Operating income	1712	84	1800	2366

From Table 4, we can see that Marriott's revenue fell off a cliff in the two years after the outbreak, and the decline rate from 2020 to 2021 is 67%, still, with the gradual improvement of the epidemic, Marriott's operating revenue is slowly on track in 2021, but Marriott still needs to improve its revenue urgently.

3.2. Profitability ratio

From Table 1, it can be concluded that Marriott International's net profit margin is declining from 2018 to 2020, and even a negative net profit margin in 2020, indicating that Marriott's operational efficiency has been declining significantly under the impact of the epidemic, resulting in an impact on earnings, although it improves in the 2021 financial report. Compared to Hilton in the industry, Marriott International has a gap in the net margin.

3.3. Liquidity ratios

The current ratio reflects a company's ability to service its debt in the short term, From Table 2, Marriott International lags significantly behind competitor Hilton on this metric, although Marriott's current ratio is slowly increasing from 2018 to 2021, indicating that Marriott is improving this position.

3.4. Efficiency ratio

Since 2018, Marriott International's total asset turnover ratio has been below 0.1, which indicates that Marriott's operational efficiency has been in a very low state for several years, and this figure is much lower than that of its competitors in the industry, and Marriott International needs to improve its operational efficiency.

3.5. Investment ratio

When comparing a company to others, higher earnings per share is seen as a sign of a stronger business. When comparing a company's current performance to its earlier performance, an increase in EPS indicates increased profitability. A decrease in EPS indicates a decrease in profitability. From

Table 3, it can be concluded that Marriott International suffered a precipitous decline and was overtaken by Hilton in 2020, after far outperforming Hilton in EPS in 2018 and 2019, a situation that will improve in 2021.

4. Discussion

Marriott International, an established international hotel and tourism company, is well ahead of its competitors in terms of revenue from 2018 to 2019, but the company's operations are facing huge setbacks and challenges under the impact of Covid-19 in 2020. From a business perspective, companies in the hospitality industry provide a variety of services to customers, including dining, lodging and travel, and make a profit from these services, as does Marriott, but achieving such a business requires a stable source of customers, and the core of Marriott's product is derived from the nature of its business, but the explosion of Covid-19 has caused the source of customers to become unstable, and a large number of vacant rooms and facilities have been huge problems for Marriott in recent years. Combined with the high fixed assets in the hotel industry, where the highest cost is labor costs, Marriott has taken the operational approach of laying off employees and lowering rates to attract guest traffic in this environment of high fixed assets and the highest cost of labor in the hotel industry, Marriott resorted to laying off staff and lowering rates to attract guest traffic to stop losses, while offering a series of packages for home office workers to keep the hotel running.

However, Marriott's business model is not only one of opening its hotels, it also adopts the management and licensing model, in which Marriott does not participate in the initial investment and construction of the hotel, but only needs to provide management and operation techniques and instructions during the operation phase of the hotel, and even receive a share of the sales without participating in the management in some of the licensing projects. These models reduce Marriott's losses under Covid-19, part of which is shared by its partners, and in the long run, this model is better for Marriott to expand its brand presence. At the same time, Marriott has also ventured into the home furnishing sector, extending its brand value into the area of bedding, a move that broadens Marriott's profitability and can bring more cash flow to Marriott and improve its current financial position.

During the epidemic, Marriott's actions in the face of declining revenues can be seen, firstly, Marriott closed some of its hotels in areas where the epidemic was severe, secondly, it made extensive layoffs to reduce high labor costs and then launched the hotel office concept to attract those who work from home to work in hotel rooms, etc. With a series of initiatives, Marriott reported an increase in profitability in 2021, which shows that Marriott's management style and emergency management are still very good.

The biggest impact of the Covid-19 outbreak on the hotel industry is the change in customer demand, but as the outbreak improves, the travel demand will increase in the next few years, which could be an opportunity for Marriott to capture the market and take advantage of this opportunity to attract customers who are used to choosing other competitors. Therefore, it is recommended that Marriott host some large events in the coming years to attract some potential customers to increase the total number of customers and at the same time, offer some bundled packages to attract members. And now Marriott's financial situation is not optimistic, revenue is still decreasing year by year, so in the future, Marriott still needs to improve their business, appropriate price reduction measures are necessary, and only a large customer base can dissolve Marriott's huge total number of rooms, and many incidental facilities.

From an investment perspective, Marriott's stock price suffered a significant drop in 2020, but the stock price gradually recovered in 2021 under Marriott's self-help measures, so Marriott's stock price is currently in a high situation and combined with the recurring nature of the epidemic, it is very risky to get into Marriott's stock at this time, so it is not recommended to purchase Marriott's stock at this time.

5. Conclusion

This paper provides some ratio analysis of Marriott's finances from 2018 to 2021 as well as a discussion and analysis of Marriott's growth. This paper finds that the global outbreak of Covid-19 has had a huge negative impact on Marriott, and the significant decline in revenue is by far the most intuitive manifestation of this. Marriott's operating capacity, profitability, and debt capacity are now much lower than in 2018, and these indicators have been overtaken by competitors, and the lower revenue has disguisedly increased its debt ratio, which makes the financial statement situation not optimistic. This shows that a company needs to keep its financial ratios healthy all the time so that it can slow down the decrease in profits when facing times of crisis. Therefore, Marriott needs to recover its business in the future, restore the total revenue to the original level, raise the debt ratio to a healthy level to get out of the crisis and seize the opportunity of a large number of potential customers to absorb more customers on top of the original one, to complete the possibility of revenue exceeding the original peak.

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