Task 4

Marriot Inc Revenue Drivers

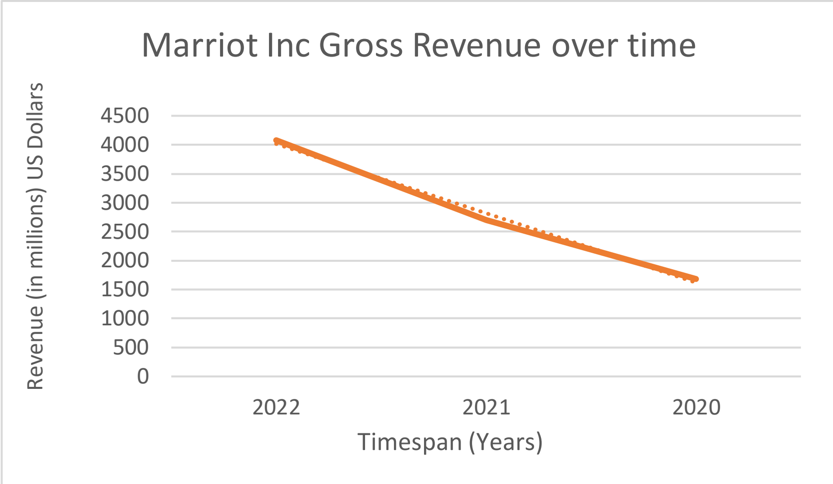

Figure 1

One major revenue driver for Marriot Inc would be their access to capital markets. The ability of hotel owners and franchisees to secure funding from capital markets directly influences their capacity to invest in new hotel developments and enhance existing properties. These markets provide capital injections that owners and franchisees can use for growth projects, such building new hotels or remodelling and modernising existing ones. The expansion of Marriott's management and franchise systems can be facilitated by hotel owners and franchisees financing these projects through access to capital markets. Marriot's access to capital markets enables the execution of strategic investment plans and enhance the quality and competitiveness of Marriott-branded properties acting as key revenue driver. The upwards trajectory as seen in Figure 1 can be due Marriot Inc adding 77 properties (14,071 rooms) to its worldwide lodging portfolio during the 2022 third quarter, including nearly 3,900 rooms converted from competitor brands and approximately 8,700 rooms in international markets.

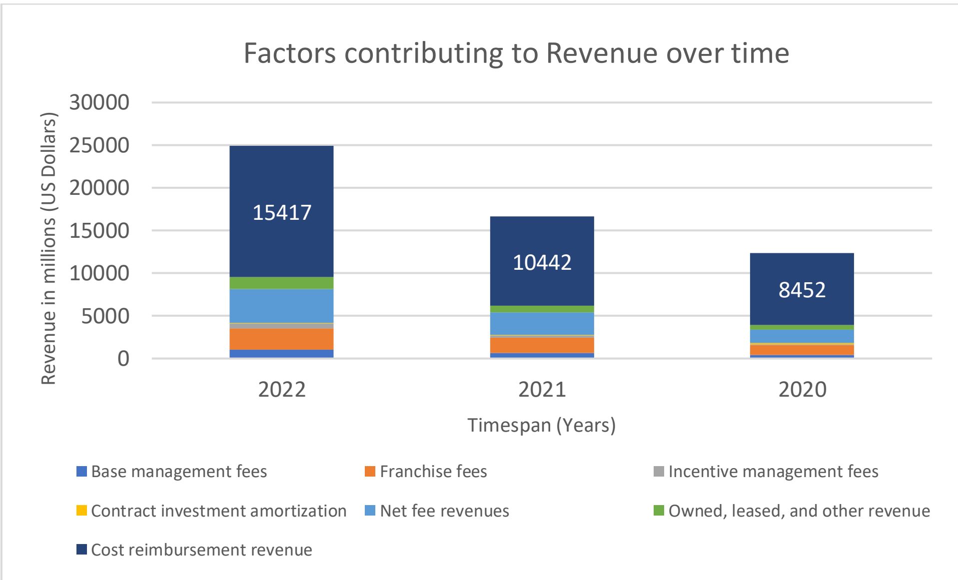

Figure 2

Another revenue driver would be Marriot Inc's high occupancy rates which is achieved through their various marketing strategies. By offering loyalty programs, online advertising, and other marketing endeavours they can draw in new clients and guests, raise brand awareness, and motivate people to join Marriott's loyalty programme. Marriott can efficiently target and engage with potential customers resulting in a rise in reservations and income. Looking at Marriot Incs annual reports, in 2022, Marriot Incs gross revenue rose from $2694 million to $4078 million. This 51% increase in revenue may have been fuelled by the number of mobile app users increasing. There has been an increase of 32 percent year over year, digital room nights have risen by 27 percent and digital revenues climbed 41 percent in 2022. This drastic change in revenue may have also been due to the slowdown and end of the global coronavirus pandemic, this has been deduced from the comparable low revenue of $1683 million in 2021 (at the peak of the pandemic). Additionally, from **Figure 2**, it is evident that the biggest contributor to revenue was from cost reimbursement from the properties that they franchise and license due to the ongoing recovery in lodging demand, as well as unit growth.

Marriot Inc Cost Drivers

Real estate investments have been a notable fixed cost driver to Marriot Inc as they are subject to risks such as fluctuations in the market conditions, regulatory changes, and the volatility of property prices. Marriot Inc's acquisition of multiple properties and the need for renovation, utility costs and maintenance also serve as a significant cost in real estate. These properties have the potential to serve as equity to secure financing which may mean a loss in return due to volatile nature of these markets. This also introduces additional risks such as project cost overruns and construction delays requiring additional financing and adding to the overall cost burden of real estate investments for Marriott Inc. We can see this from Figure 3 as capital and technology expenditure is the greatest contributor to cost for Marriot Inc from its investing activities.

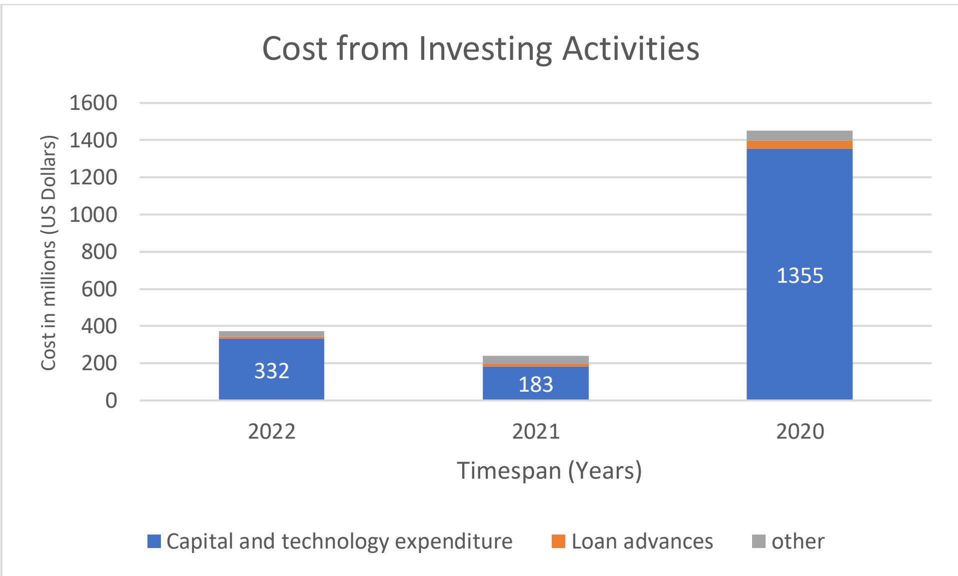

Figure 3

A variable cost driver would be **losses on loans and loan guarantees**. When the hotel owners or franchisees default on loans provided by Marriott or fail to reimburse the company for loan guarantees, it directly impacts the company's financial health. In such scenarios, Marriott may need to cover the losses incurred from these defaulted loans or unfulfilled guarantees, potentially resulting in financial setbacks. This could include provisions for bad debts, legal expenses associated with loan recovery efforts, or the need to allocate additional resources to manage these properties From Figure 3 it shows that costs from loan advances are not that significant compared to capital and technology expenditure however they are still a high cost in relative terms for investing activities. Moreover, in cases where anticipated income from loan repayments or guarantees does not materialise, Marriott may face revenue shortfalls, impacting its profitability and overall financial performance.

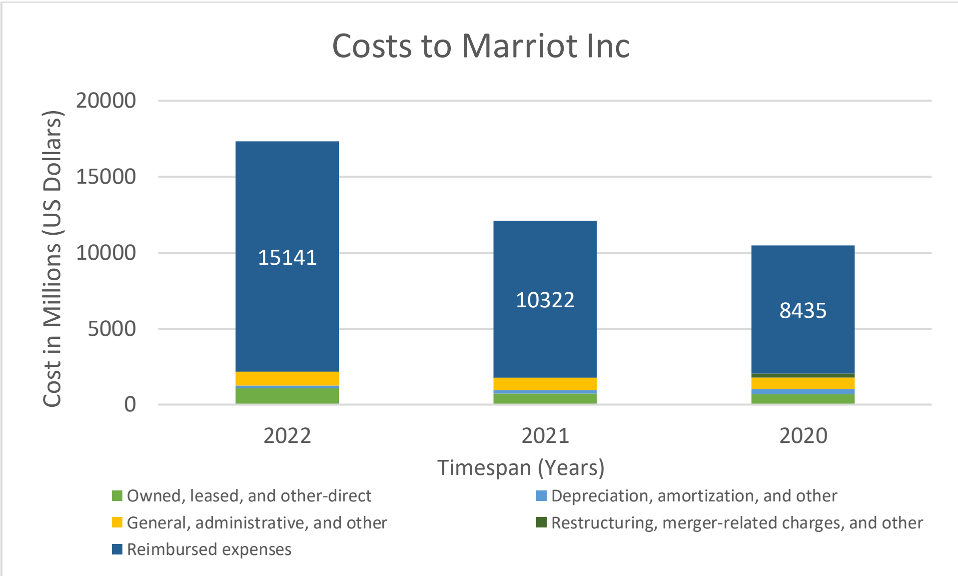

Figure 4

From the management reports, one variable cost driver to Marriot Inc are **Cybersecurity incidents.** There have been investments in preventing and responding to cybersecurity attacks in order to ensure the security of all stakeholders and company data. One security breach, known as, The Data Security Incident", led to lawsuits, regulatory inquiries, and financial penalties. This resulted in a payment of £18.4 million payment issued by the Information Commissioner's Office in the United Kingdom which was a huge cost to the firm. There is always a risk of re-occurrence, the frequency and sophistication of such future cyber-attacks could increase, requiring constant maintenance with it's associated costs. Such incidents can actually have adverse effects on consumer confidence in investing in Marriot Inc, the cost to mitigate loss of consumer confidence and re-promote the brand in order to appeal to their client base may be very high in itself.

Peer Analysis

One of Marriots biggest competitors is Hilton worldwide
Over the past year, Hilton's stock experienced a notable increase of 34.3%, surpassing the industry's growth rate of 18.4%. This surge can be attributed to several factors, including the company's expansion of units, conversion of hotels, strategic partnerships, and the effectiveness of its loyalty programs. Additionally, Hilton's growth prospects have been further bolstered by the introduction of two new brands to its portfolio: Spark by Hilton and LivSmart Studios by Hilton. These new additions are generating heightened interest from property owners seeking to capitalize on the growing demand for premium economy and long-stay accommodations which has been the biggest revenue driver for Hilton with a revenue of $8.77B in 2022.

Johnson and Johnson Revenue Drivers.

One Revenue driver for Johnson and Johnson (JNJ) is their technological innovation in MedTech. JNJ strives to provide the medical breakthroughs of the future while it keeps innovating throughout the healthcare industry. In 2022, JNJ's global revenue amounted to around $95 billion, which was an increase of almost one billion US dollars compared 2021. J&J has three major divisions: pharmaceutical, medical devices and diagnostics, and consumer.

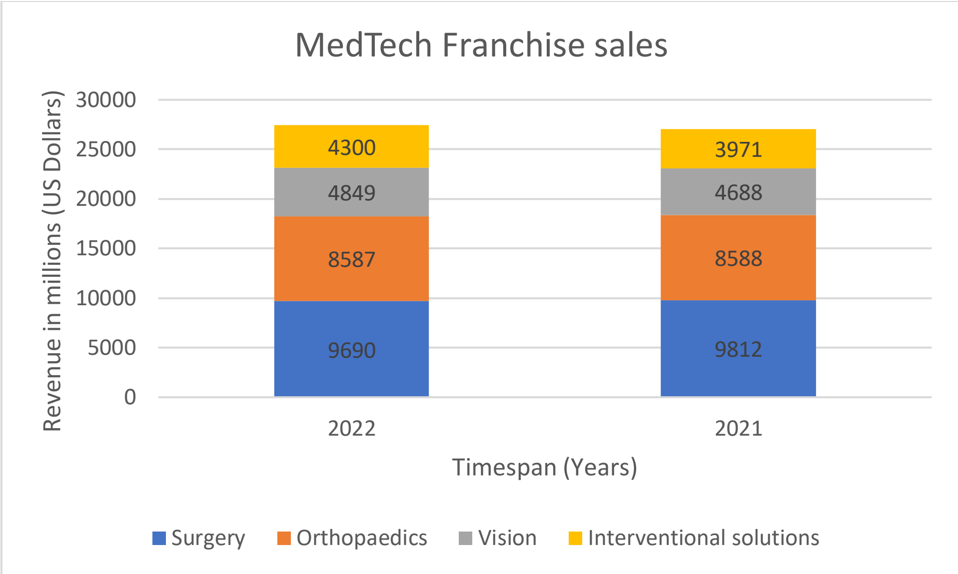

Figure 5

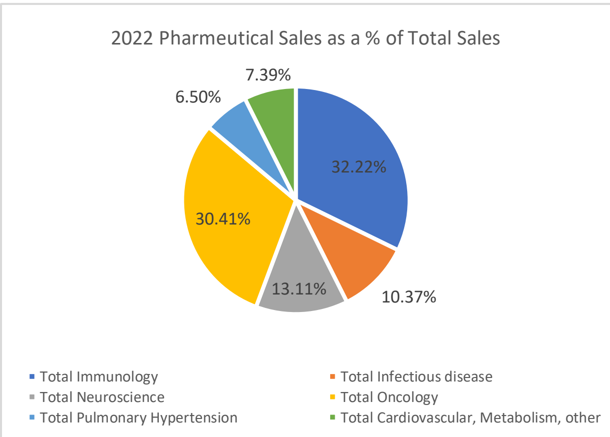

Figure 6

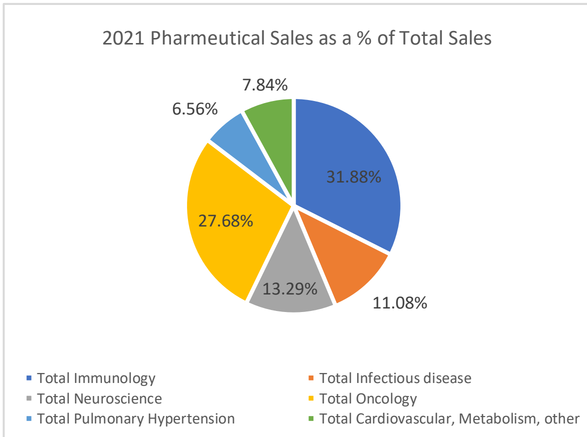

Figure 7

From the Medtech sales, it is evident that the greatest contributor to revenue in both years has been due to surgeries, shortly followed by orthopaedics. There has been miniscule change in both values, The increase in growth was driven by the acquisition of Abiomed, a cardiovascular medical technology company, in December. Moreover, expansion took place in electrophysiological products, which evaluate the heart's electrical system, along with products concerning wound closure, orthopaedic trauma, and contact lenses. Furthermore, the surge in success was boosted by heightened demand for non-urgent surgeries among the elderly, which had been postponed during the COVID pandemic. **Figure 8** highlights that pharmaceutical sales had the most impact on revenue, ($52.6 billion USD) out of their different business segments.

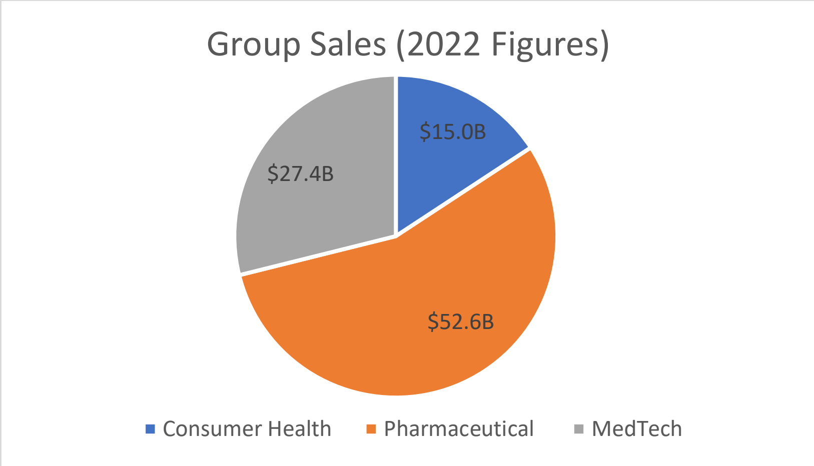

Figure 8

Johnson and Johnson's primary pharmaceutical focus in terms of sales lies in immunology as seen in both **Figure 6 and 7,** specializing in treating autoimmune disorders like rheumatoid arthritis and psoriasis. This segment represents a substantial medical sector estimated at $80 billion by industry experts. In 2022, the company reported $16.9 billion in sales from its immunology division, with a significant boost from Stelara, a medication assisting patients with diverse immune-related inflammatory conditions, contributing **$9.7 billion** to the total revenue.

However, oncology revenues accounted for 30.41% of total pharmaceutical sales in 2022 as shown in Figure 6, a 2.73% increase from 2021, driven by the sales of the drug Darzalex for treating multiple myeloma. Apart from its focus on immunology and cancer treatments, J&J's pharmaceutical proficiency spans across various areas including neuroscience, infectious diseases like AIDS, cardiovascular and metabolic disorders, as well as pulmonary hypertension.

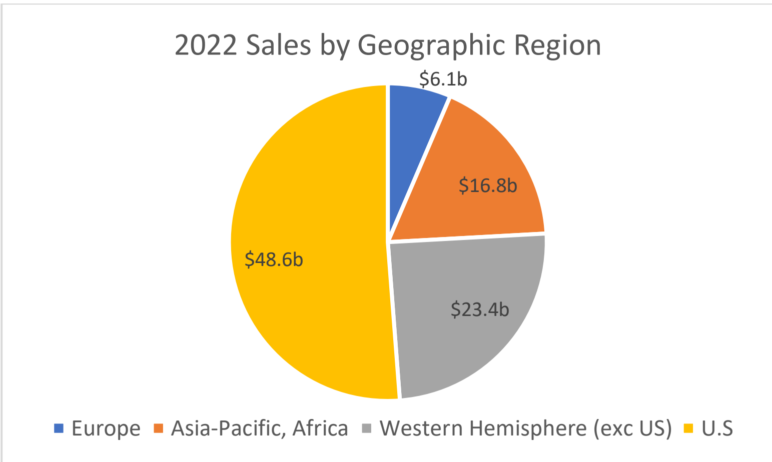

Figure 9

Moreover, We can see from the 2022 Sales from Figure 9 that the US accounted for almost half of the revenue generated from Johnson and Johnson. This represents increases of 3.0% in 2022 and 9.3% in 2021. This may be due to the fact that a large number of patents for J&J are licensed in the US compared to other parts of the world. Sales in Europe may be low compared to the US and Western Hemisphere as the principal markets, products and methods of distribution vary with the country and the culture. Pfizer (a competitor of J&J) has larger consumer base in Europe which is potentially one reason for the low revenue compared to other parts of the world. Figure 10 shows how the revenues have changed over a 3 year period from 2020 to 2022, the chart shows how the percentage increments have been very small for all geographic regions and they seem to staying consistent throughout the 3-year period.

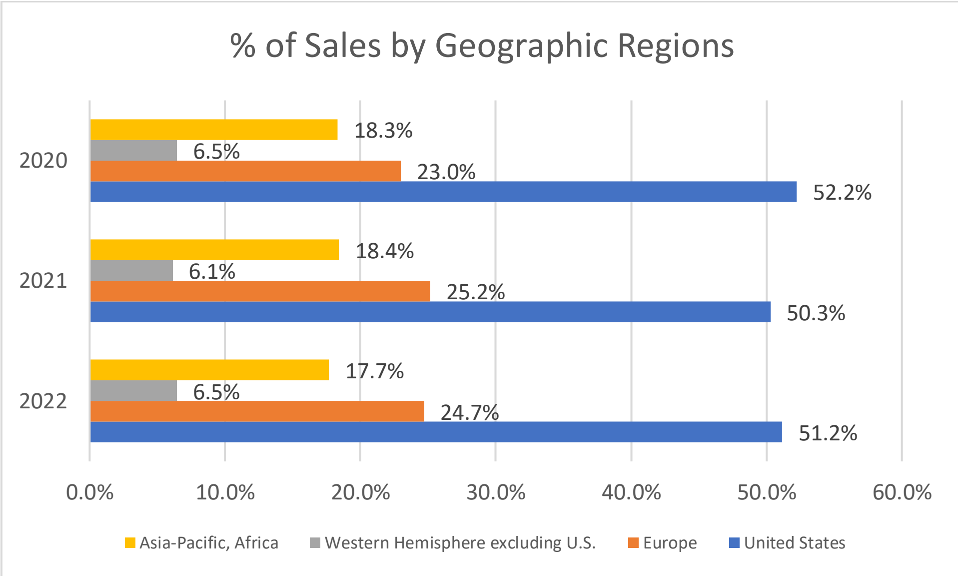

Figure 10

Cost Drivers for Johnson and Johnson

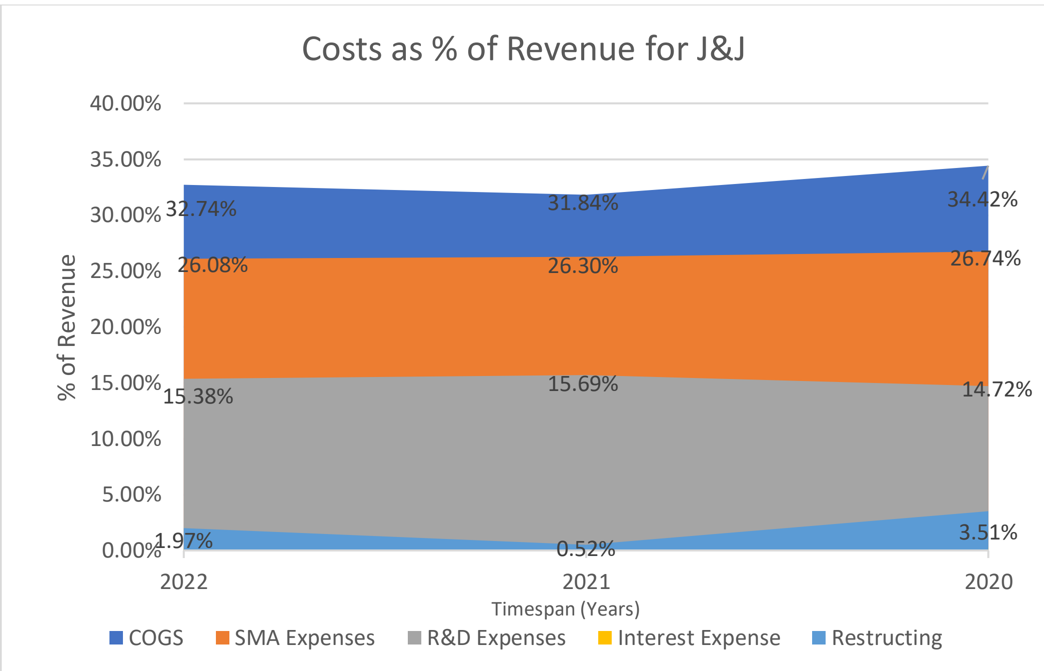

Figure 11

From the stacked area chart, we can see that Research and Development Expenses (R&D) has had the most impact on the cost as a percentage of revenue. The cost however we can from the graph has not had huge change, as from 2020, the percentage of revenue was 14.72% and rose to 15.69% in 2021 which is most likely due to costs associated with covid19. It is also worth mentioning that the Selling, marketing, and administrative costs as a percentage of revenue decreased from 2020 to 2021 perhaps due to the backlog caused by covid19 in 2020 and lack of supply of natural resources during this time. However, in 2021, the annual gross profit for Johnson and Johnson was $63.92B, a 18.03% increase from 2020 as we can also see from the stacked area chart, most of the costs in 2020 were high but all decreased by 2021, with the exception of R&D expenses. In 2021, J&J diluted earnings per share was also at its highest $7.81 compared to 2020 $5.51 respectively.

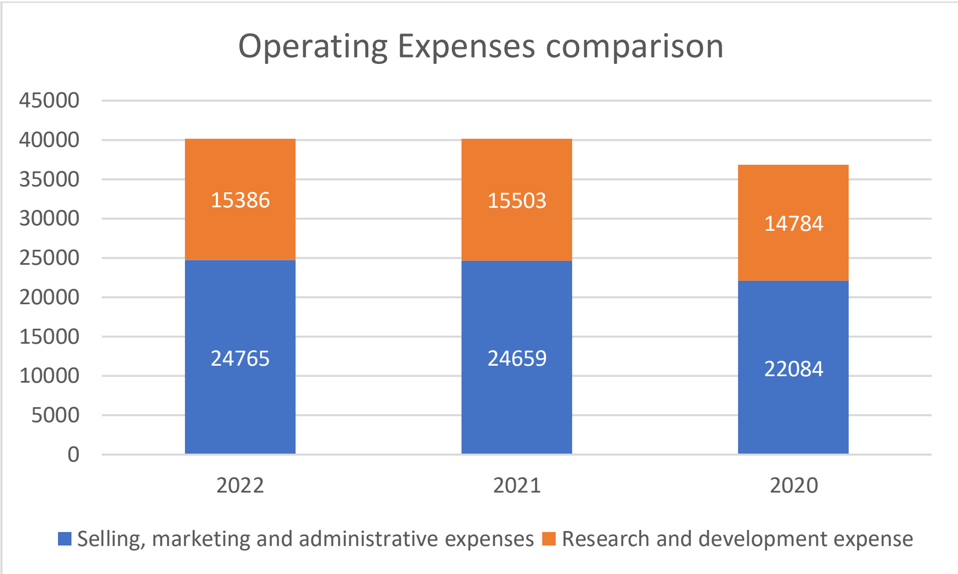

Figure 12

Investing in vaccine development incurs direct costs for Johnson & Johnson across multiple fronts. Research efforts demand funding for scientists, equipment, and materials to identify potential vaccine candidates. Clinical trials, crucial for ensuring safety and efficacy, involve significant expenses for all factors involved. That's why we can see from 2021 the R&D expense rose to 15503. Manufacturing operations require substantial investments in facilities, equipment, and raw materials to produce large quantities of vaccines which we can also see from Figure 12 as SMA expenses increased by 2575 millions in just 1 year. Moreover, ongoing surveillance to monitor vaccine safety and effectiveness post-market incurs expenses for data analysis and reporting. Therefore, vaccine development entails considerable direct costs for Johnson & Johnson across various stages of research, development, manufacturing, and regulatory compliance.

Fixed manufacturing costs for Johnson & Johnson in producing vaccines on a large scale to meet global demand. This includes funding for establishing and operating manufacturing facilities equipped with specialized equipment and technologies necessary for vaccine production. Expenses also cover sourcing raw materials, (SMA Expenses) which are essential ingredients used in the manufacturing process. Additionally, quality control measures and adherence to regulatory standards contribute to manufacturing costs, ensuring that vaccines meet stringent safety and quality requirements before they are distributed to the public.

Peer analysis

Pfizer went through a similar journey, but their numbers went up by much bigger amounts during 2020-2021 compared to the previous year. When we look at the data, we see that their total earnings increased by a small amount of 0.64% from 2019 to 2020, but then shot up by a huge 95.2% from 2020 to 2021. For Johnson and Johnson, their stock prices went up by 16.5% through 2020-2021 meanwhile Pfizer increased by 25.8% during 2020-2021. Considering these factors, Johnson & Johnson lacks a competitive edge compared to Pfizer. Despite Pfizer's lower financial figures relative to Johnson & Johnson, Pfizer's metrics are consistently and significantly increasing at a faster pace. One key revenue driver for Pfizer is strategic collaborations and alliances that enable Pfizer to enhance its research and development capabilities and broaden its geographic reach. Overall, effective business development initiatives can significantly contribute to Pfizer's revenue growth by diversifying its product offerings and expanding its market presence.

Pfizer invests significantly in developing and conducting clinical trials for its new products and pharmaceuticals especially during covid19. These trials are essential for evaluating the safety and efficacy of potential treatments and obtaining regulatory approval for their commercialisation and can be considered as a huge cost to Pfizer. The Pfizer vaccine was the most clinically trialled